

TRICARE MANAGEMENT AGENCY

DESCRIPTION OF THE CONCEPT OF REASONABLE ASSURANCE AND ADDITIONAL INFORMATION ON HOW THE EVALUATION WAS CONDUCTED

(TAB A)

The system of internal accounting and administrative control of the TRICARE Management Activity (TMA), in effect during the fiscal year ending September 30, 2002, was evaluated in accordance with the guidance in Office of Management and Budget Circular No. A-123 (Revised), Management Accountability and Control,” June 21, 1995, as implemented by DoD Directive 5010.38, “Management Control Program,” August 26, 1996 and DoD Instruction 5010.40, “Management Control Program Procedures,” August 28, 1996. The Office of Management and Budget guidelines were issued in consultation with the Comptroller General of the United States, as required by the “Federal Managers’ Financial Integrity Act of 1982. Included is an evaluation of whether the system of internal accounting and administrative control of TMA is in compliance with standards prescribed by the Comptroller General.

The objectives of the system of internal accounting and administrative control of TMA are to provide reasonable assurance that:

- obligations and costs are in compliance with applicable law;
- funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and
- revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets.

The evaluation of management controls extend to every responsibility and activity undertaken by TMA and is applicable to financial, administrative and operational controls. Furthermore, the concept of reasonable assurance recognizes that the cost of management control should not exceed the benefits expected to be derived there from, and that the benefits consist of reductions in the risks of failing to achieve the stated objectives. The expected benefits and related costs of control procedures should be addressed using estimates and managerial judgment. Moreover, errors or irregularities may occur and not be detected because of inherent limitations in any system of internal accounting and administrative control, including those limitations resulting from resource constraints, congressional restrictions, and other factors. Finally, projecting any evaluation of the system in future periods is subject to risk that procedures may be inadequate because of changes in conditions, or that the degree of compliance with procedures may deteriorate. Therefore, statements of reasonable assurance are provided within the limits of the proceeding.

The evaluation was performed in accordance with the guidelines identified above and other information provided from other sources (GAO reports, DoD IG reports, or internal audits, management studies, internal review, etc.). The results indicate that the system of internal

accounting and administrative control of the TRICARE Management Activity in effect during the fiscal year that ended September 30, 2002, taken as a whole, complies with the requirement to provide reasonable assurance that the above mentioned objectives were achieved. This reasonable assurance is within the limits described in the preceding paragraph.

The following is a list of the Fiscal Year 2002 Annual Statements of Assurance inputs submitted from the TMA Directorates:

TAB A-1	TMA/Acquisition Management and Support (AM&S)
TAB A-2	TMA/Office of Administration
TAB A-3	TMA/Communication and Customer Service (C&CS)
TAB A-4	TMA/Health Program Analysis and Evaluation (HPA&E)
TAB A-5	TMA/Information Management, Technology and Reengineering (IMT&R)
TAB A-6	TMA/Office of General Counsel
TAB A-7	TMA/Operations Directorate (OD)
TAB A-8	TMA/Resource Management (RM)

Director's recommendations for changing future Assessable Units will be evaluated and decided during the course of the next review cycle. The Director, IMT&R, made several recommendations for change which were to be implemented in Fiscal Year 2002 but will now be considered in Fiscal Year 2003.

TRICARE MANAGEMENT ACTIVITY
Acquisition and Management Support Directorate

DESCRIPTIONS OF THE CONCEPT OF REASONABLE ASSURANCE
AND HOW THE EVALUATION WAS CONDUCTED

(Tab A-1)

The system of internal accounting and administrative controls, of the Acquisition Management and Support Directorate (AM&S), in effect during the fiscal year ending September 30, 2002, was evaluated in accordance with the guidelines provided by the Office of Management and Budget Circular No. A-123 (Revised), "Management Accountability and Control," June 21, 1995, as implemented by DoD Directive 5010.38, "Management Control Program," August 26, 1996 and DoD Instruction 5010.40, "Management Control Program Procedures," August 28, 1996. The Office of Management and Budget guidelines were issued by the Director of the Office of Management and Budget, in consultation with the Comptroller General, as required by the Federal Managers' Financial Integrity Act of 1982. Included is an evaluation of whether the system of internal accounting and administrative controls of AM&S is in compliance with standards prescribed by the Comptroller General.

The objectives of the system of internal accounting and administrative controls of AM&S are to provide reasonable assurance that:

- obligations and costs are in compliance with applicable law;
- funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and
- revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets.

The evaluation of management controls extends to every responsibility and activity undertaken by AM&S and is applicable to financial, administrative and operational controls. Furthermore, the concept of reasonable assurance recognizes that the cost of management control should not exceed the benefits we expect in return there from, and that the benefits consist of reductions in the risks of failing to achieve the stated objectives. The expected benefits and related costs of control procedures should be addressed using estimates and managerial judgment. Moreover, errors or irregularities may occur and not be detected because of inherent limitations in any system of internal accounting and administrative control, including those limitations resulting from resource constraints, congressional restrictions, and other factors. Finally, projection of any evaluation of the system to future periods is subject to risk that procedures may be inadequate because of changes in conditions, or that the degree of compliance with procedures may deteriorate. Therefore, statements of reasonable assurance are provided within the limits of the preceding.

The evaluation was performed in accordance with the guidelines identified above. The results indicate that the system of internal accounting and administrative control of Contract

Management Division (CMD) in effect during the fiscal year that ended September 30, 2002, taken as a whole, complies with the requirement to provide reasonable assurance that the above-mentioned objectives were achieved. This reasonable assurance is within the limits described in the preceding paragraph.

Determination of Reasonable Assurance Status:

The basis for determining the reasonable assurance status of the CMD is based on the quality efforts of CMD personnel throughout the fiscal year to integrate management controls as part of their daily responsibilities. In addition to the risk assessments performed this year, CMD personnel conducted periodic reviews and/or assessments of their programs. Minor corrections to programs were made to preclude any material weaknesses. Please note the following acronyms as they relate to comments provided by the directorates/activities of CMD:

CMD	Contract Management Division
AMD	Acquisition Management Division
PC&IM	Policy Compliance and Information Management Division
PI	Program Integrity Division

NOTE: Acquisition Planning and Reengineering (AP&R) has completed their project and their resources have been absorbed throughout AM&S. AP&R's function is complete and will not be absorbed into another AM&S division.

The following describes the areas assessed and methods of review used during the evaluation:

(1) Progress Made in Institutionalizing the Program

Substantial efforts were made in institutionalizing controls and management responsibilities of AM&S. Assessable unit inventories were reviewed and revalidated by the AM&S program manager, and determined to be reflective of our current focus. AM&S reviewed two new global assessable units, "TMA Purchase Cards" and "Invoice and Receiving Report Certification." Since these assessable units are not applicable to all offices under AM&S, only those offices that utilize these items have contributed to our overall rating. AM&S has established Management Control Program Standard Operating Procedure (SOP).

Further, the program manager for AM&S attends the monthly TMA Management Control Program Manager's meetings. These meeting are ongoing.

(2) Improvements to Program Coverage.

AM&S

A SOP specific to AM&S's Management Control Program was established on July 29, 2002. The SOP establishes responsibilities, procedures, and provides guidance to the MCP for AM&S and its subdivisions.

AMD

AMD Mission. DoD Directive 5136.12 expanded the mission of Acquisition Management and Support (AM&S) to be the primary contracting activity in support of the TMA mission. AMD is responsible for processing all acquisition and contract actions in support of non-purchased care activities. AMD's mission is to be the primary acquisition and contract management activity in support of Information Technology (IT) and program management integration requirements.

Based on independent studies of Management Oversight of, and Management Controls within, TMA/Health Affairs Contracting Activities, AMD has implemented a plan to manage risk and improve internal controls within the organization. Elements of the plan include:

- A comprehensive contracting process
- AMD oversight of the non-purchased care contracting process
- Defining the role of OGC in contracting process
- Expanding the number of "preferred contracting agencies" as TMA's first option for contract support
- Establishing performance criteria
- Improving the flow of financial documentation
- Requiring PRW approval and review by TMA Directors/Deputies
- Enhanced management controls for Receiving Reports
- Appointment of Administering Contract Officer Representatives (ACORs) within the requiring activity
- A second review of receiving reports from a programmatic perspective

Acquisition Process Guidance. Guidance on the use of the General Services Administration (GSA) Multiple Award Schedules Program, the National Institutes of Health (NIH) Chief Information Officer's Solution Partners (CIO-SP), and Electronic Commerce II (ECS II) contracts continue to be updated as changes occur. The Users' Guides for individual contract vehicles provide government personnel with information about relevant organizational structures, contract administration responsibilities under the contracts, and procedures relevant to managing delivery orders. The TMA Small Business Procurement Guide document provides insight into the TMA acquisition process and specifically addresses small business needs and concerns. The guides are posted on the AM&S Home Page on the World Wide Web. The AMD has been recently notified of new fair opportunity requirements contained in Section 803 of the Fiscal Year 2002 Defense Authorization Act. The AMD has also been recently notified by the Defense Contracting Command-Washington (DCC-W) regarding the need for a legal review for contract actions in excess of \$500,000. In light of these new requirements, the update of D/SIDDOMS and PMI Users' Guides have been deferred until the first quarter of Fiscal Year 2003, giving AMD time to analyze these issues and their impact on the D/SIDDOMS and PMI contracts.

Interagency Support Agreements between TMA and Preferred Contracting Agencies. AMD has established support agreements between the TRICARE Management Activity (TMA), Acquisition Management and Support Directorate (AM&S), and the Defense Contracting

Command-Washington for the provision of the majority of TMA non-purchased care contract support. In addition, agreements are being developed and negotiated with the VA North Texas Health Care System, 11th Contracting Squadron, and the Naval Sea Logistics Center with regard to contract support.

Acquisition Related Training for CORs and Project/Task Managers. AMD has identified a source of COR/ACOR training through the web-based Contracting Officer's Representative (COR) Mentor program offered by the Federal Acquisition Institute (FAI) On-Line training site. This self-paced, flexible training program has been approved by DCC-W and is available at no cost. A high-level draft plan has been developed to augment acquisition-related training with additional on-site classroom training tailored to the needs of TMA program and task managers but currently funding is not available for implementation.

Policy for Invoice and Receiving Reports. AMD has established an invoice and receiving report policy that will provide the TRICARE Management Activity (TMA), Acquisition Management and Support (AM&S), and the Acquisition Management Division, guidance on the requirements for properly processing invoices and receiving reports. These procedures supplement those provided within the FAR and DFARS and are subject to change.

AMD Internal Management Control Procedures for Purchase Cards. AMD has established comprehensive written Internal Management Control procedures addressing all of the DoD and DCC-W management control issues and providing step-by-step guidance on making purchases and reconciling monthly statements.

AMD Desk Top Reference Guide. AMD is developing a guide that will serve as a reference tool for the TRICARE Management Activity (TMA) Acquisition Management Division (AMD). The AMD Desktop Reference Manual is a web-based document that ties together guidance from multiple sources into one comprehensive reference. It offers standard procedures and guidelines, as well as references to federal and department guidelines and regulations.

Roles and Responsibilities Standard Operating Procedures (SOP)/Appointment Memos for CORs and ACORs. AMD developed an SOP outlining the roles and responsibilities of key players throughout the pre and post award life of an acquisition action. Roles and responsibilities addressed include the Acquisition Manager (AM), Contracting Officer (CO), Contracting Officer's Representative (COR), and the Administering Contracting Officer's Representative (ACOR). AMD has also developed COR and ACOR delegation memorandums.

Project Management Tools and Earned Value. Contractors continue to apply Earned Value Management (EVM) concepts to the D/SIDDOMS products and services, as well as EVM information to Program Managers (PM) to assist in monitoring the progress of their contracts and programs.

D/SIDDOMS II Labor Hour Report Database. AMD continues to maintain a cost database that consists of fully burdened actual labor and material expenses incurred by all contractors and subcontractors against all D/SIDDOMS II task orders. The source of the data is the monthly reports from the prime contractors, where required electronic spreadsheets are sent to AMD and

applicable requiring activity for each task order. Reports are generated by filtering and/or sorting data by any combination of the following 17 elements:

Hours	Subcontractor
Dollars	Skill category
System	Labor vs. Material
Function (WBS)	7 ODC Categories
Timeframe (dates)	Government vs. Contractor site
Individual (by name)	cost plus fixed fee vs. fixed price labor hour
Requiring Activity	Prime vs. subcontracted
Task order	Negotiated, proposed, actual costs
Contractor	

Simple sorts are answered the same day as the request. More complex comparisons are answered the following day. Periodic reports are also provided in the format dictated by the requestor. All requests are validated by AMD prior to providing data.

TRICARE Management Activity (TMA) Acquisition Management Division (AMD) Web Site.

AMD continually posts pertinent information to its website, designed to provide interested parties access to TMA procurement information and opportunities as well as contract management practices. AMD's update section of the site provides customers with the latest news and information. In this fiscal year, receiving report and invoice procedures have been added to the site. A desktop guide is scheduled to be posted to the site during the 1st Quarter of Fiscal Year 2003. Procedural documents and reference materials relating to TMA are made available under our information pages. Contract information is provided as well as Award Notices and RFPs.

Wide Area Workflow-Receipt and Acceptance (WAWF-RA). AMD is currently participating in a pilot test of DOD's WAWF-RA web-based electronic invoice and receiving report system. This tool electronically captures and coordinates the four basic pieces of payment information; the contract, vendor invoice, receiving documentation, and payment voucher. Implementation of the WAWF-RA is expected to both streamline workflow and strengthen management controls over the receiving report process. A TMA Authorizing Agent (AA) / Government Administrator (GAM) have been appointed from AMD as well as individuals to fill the WAWF roles of Inspector/Acceptor and Local Processing Office.

PI:

This office has recently begun the task of revising the Case Management Standard Operating Procedure (SOP).

(3) Problems Encountered in Implementing the Program. None

(4) Other Program Considerations.

The mission of AMD has been expanded to support AM&S' new role as the primary contracting activity in support of the TMA mission. In this expanded role, AMD provides acquisition and COR support for all TMA non-purchased care contracting actions.

(5) Deviations from the Process as Outlined in the OMB. None

(6) Special Concerns Addressed in Reports by the DoD-IG, Component Audit, Investigation, Inspection, and/or Internal Review Organizations regarding MC Progress, Program Needs, and/or Problems. None

(7) Methods, Mechanisms, or Techniques Employed in the Discovery or Execution Phases of the Program.

a. Vulnerability Assessments/Management Control Assessments.

AM&S:

A vulnerability assessment was completed on administering the management control program as planned and a rating of low risk was determined. The next formal rating will be a vulnerability assessment scheduled for Fiscal Year 2007.

CMD:

During fiscal year 2002, CMD conducted three vulnerability assessments and two internal management control reviews. One of the new assessable units assigned to all managers, Form DD250, is not applicable to CMD, so a VA was not conducted.

<u>Assessable Units</u>	<u>Type</u>	<u>Rating</u>
Contract Closeouts	VA	Moderate
Bid Price Adjustments	VA	Moderate
IMPAC Card Procedures	VA	Moderate
Form DD250	VA	N/A
Change Orders	IMCR	Moderate
Subcontract Administration	IMCR	Moderate

New Assessable Units for 2002

Form DD250 – This assessable unit was added for review by all Managers in Fiscal Year 2002. CMD does not use the Material Inspection and Receiving Report. It is used to accept items for delivery, which does not pertain to the management of contracts for

health care services. This assessable unit should be removed from CMD's Management Control Plan for Fiscal Year 2003.

IMPAC Card Procedures – This assessable unit is also new for all Managers in Fiscal Year 2002. The Vulnerability Assessment was conducted by Dick Van Dorn, Chief, Contract Management Acquisition Branch, who approves the purchases made by CMD's only cardholder. The areas of greatest vulnerability are: 1) minor emphasis on internal controls, and 2) length of time since it was evaluated because this is a new assessable unit. It was given a moderate overall vulnerability assessment rating.

Vulnerability Assessments:

Contract Closeouts – Contract closeout is the process of settling all outstanding contractual issues to ensure that each party has met all of its obligations, and documenting the contract file accordingly. The primary objectives are to identify and resolve any uncompleted obligations or pending liabilities on the part of either the Government or the contractor; and to ensure that contract-related decisions and actions have been properly documented.

The time standards for closing out contract files are found in the FAR. DoD and TMA Contract closeout procedures must be followed to ensure that the closeout timeliness standards are met, and that the contracts are closed in a satisfactory manner. The closeout procedures rely on being able to reconcile RM and CM data. Should the closeout procedures become ineffective or inefficient, a backlog may occur. The process for closing out contracts has not undergone any significant changes since the last review in 1999. Although time constraints are occasionally a factor, it remains a relatively stable program with adequate controls in place. The Vulnerability Assessment was conducted by Darlene Gonzales, Contracting Officer.

At Risk Bid Price Adjustments (BPAs) - The high volume of data for the BPA and the numerous sources for this data make the BPA process somewhat time-consuming and complex for all the parties involved. Validation of data is required, as well as, monitoring of the BPA schedules. The data collection phase and the resolution of issues phase require management oversight to make sure the schedule is adhered to.

The BPA process ensures that adjustments are made only to the healthcare cost component. Any other requests for equitable adjustment that may be submitted at the same time as the BPA proposal are handled in a separate and distinct process from the BPA, which has helped to minimize risk. However, time constraints remain a daily significant factor, because of the volume of data required, the numerous sources of data involved and the complexity of the process. Rebecca Houkal, Contracting Officer, conducted this Vulnerability Assessment.

Internal Management Control Reviews:

Change Orders - Change orders are written orders signed by the Contracting Officer directing the contractor to make a change without the contractor's consent. The standard Changes

clause in the FAR calls for the contractor to estimate the cost impact of the change and submit a proposal to the Government within a certain amount of time. The efficiency of the process that is followed by CM after the change order is issued will determine the timeliness and ability to definitize these change orders.

The change order definitization process relies on cooperation on the part of the Contractor and on effective policies and procedures being in place and followed at TMA to enable the Government's position to be established, funded and negotiated. If weaknesses exist in this process, change orders are not definitized in a timely fashion, and a backlog may occur. During Fiscal Year 2002, TMA instituted the Change Management Board to develop a revised policy for issuing change orders. TMA also implemented the IPT process to conduct more technical reviews concurrently with contractors. However, the current priority is to clean up the backlog of undefinitized change orders so TMA can focus on bilateral execution of changes, or timely submission of proposals, when changes are issued unilaterally. Tests of internal management controls were conducted in the areas of: 1) Request for a proposal on an issued change, and 2) Technical review. The IMCR was conducted by Deanna Harris, Chief, Contract Administration Branch.

Subcontract Administration - Any contractual relationship entered into by a prime contractor or a subcontractor that requires the delivery of supplies or the rendering of services necessary for the completion of government contract work is subject to the policies or procedures in FAR Part 44. The review of TMA's prime contracts is necessary to determine if the award and administration of the subcontracts are being performed correctly. Small business plan requirements, subcontracting reports and other subcontracting program requirements are reviewed for compliance and adequacy. Tests of internal management were conducted on the Humana, Health Net and Tri-West contracts. Doris Navarro, the Contracting Officer prepared the MCR.

PC&IM:

The new global assessment unit for TMA Purchase Card Review does not apply to PC&IM because we do not utilize this item.

The new global assessment unit for Invoice Certification Review does not apply to PC&IM because we do not utilize this item.

Although no formal Vulnerability Assessments or Management Control Assessments were done this year, Vulnerability Assessments were completed in Fiscal Year 2000 for Contracting Policy (OAM/TAM), Contracting Procedures (TAP), and Contracting Officer Warrants.

AMD:

Three vulnerability assessments were conducted within the last year on AMD assessable units.

TMA Purchase Card Procedures: The vulnerability assessment on purchase card procedures resulted in a low rating.

Invoicing and Receiving Report Procedures: The vulnerability assessment on invoice and receiving report procedures resulted in a moderate rating.

Acquisition Support: The vulnerability assessment on acquisition support resulted in a moderate rating.

The MC plan was updated accordingly.

PI:

Vulnerability assessments were completed in Fiscal Year 2000. This office has no requirement for formal vulnerability assessment until Fiscal Year 2005. Vulnerable areas are continually monitored in our day-to-day operations.

Two new vulnerability assessable units are to be done TMA wide. They are Invoice Certification Review and TMA Purchase Card Review. These units are not applicable to PI.

a. Management Control Weakness Tracking System.

All MC weaknesses identified by AM&S' MC program are tracked and updated by the responsible manager and the AM&S Program Manager.

b. Component IG or Audit Findings.

The Defense Contracting Command-Washington conducted a Review of Billing Official's Purchase Card Account, Level 4 Number 00373 and Level 5 Number 59795. This audit resulted in no findings and commended AMD on its purchase card records and exemplary purchasing methods and adherence to regulations.

c. Component Inspections: None

d. DoD-IG Reports and Reviews: None

e. Management Control Training.

Formal classroom training is required under the proposed AM&S MCP SOP that is anticipated to be signed and effective by the end of the fiscal year. Informal training was provided in December 2001, June 2002 and by request by the AM&S Program Manager.

f. Management Control Performance Standards.

Comments on performance of management controls functions are included in managers' performance standards and evaluations.

g. GAO Reports and Reviews. None

h. OSD Functional Proponent Proposals Submitted through the DoD Management Control Program. None

i. Corporate Information Management (IM) Initiatives. N/A

j. MC References in Directives, Regulations, and Other Guidance.

Management Control references such as the DoD-D 5010.38, the DoD-I 5010.40, TRICARE Guidelines of August 1998, TRICARE Acquisition Manual and various TRICARE Acquisition Practices were reviewed to ensure compliance with program objectives.

k. Congressional Reviews and Hearings. None

l. Command or other Subordinate "Letters of Assurance."

AM&S subordinate division references included in this statement.

m. Productivity Statistics.

The Program Integrity Division has prepared an Operational Report covering January 2001 through December 2001.

n. Defense Regional Inter-service Support Studies. N/A

o. Management Reviews in Other Functional Areas.

A Procurement Management Review (PMR) of the AM&S Directorate was performed by the Defense Contract Management Activity in October and November 2000. The report issued on March 7, 2001, and discussed in the Fiscal Year 2001 Annual Letter of Assurance reflects the most recent PMR conducted.

In accordance with the establishment of the TRICARE Management Activity, all directorates/activities reviewed and clarified reporting chains and responsibilities, and updated position descriptions as required, to ensure the integrity of internal control procedures.

p. Quality Assurance Reviews.

A system of continuous review and process improvement is in place within AM&S to assure quality of products/services. Further, the AM&S SOP contains guidance for a new program of self-audits within the AM&S MCP and its subdivisions.

q. “Hot Line” Reports. None

Office of the Secretary of Defense Systemic Management Control Weakness Disclosure

- (1) Inadequate Financial Accounting Process & Systems. No weaknesses noted within AM&S.
- (2) Unreliable Financial Reporting of Personnel & Real Property. No weaknesses note within AM&S.
- (3) Total Asset Visibility. No weaknesses noted within AM&S.
- (4) Acquisition Process and Systems.
While no Material Weaknesses were noted for AM&S in this area, each office fully supports the position of the Department in streamlining its operations.
- (5) Information Systems Security. No weaknesses noted within AM&S.
- (6) Year 2000 Computer Problem. No weaknesses noted within AM&S.
- (7) Third Party Collection Program. No weaknesses noted within AM&S.

TRICARE MANAGEMENT ACTIVITY
Office of Administration

DESCRIPTION OF THE CONCEPT OF REASONABLE ASSURANCE
AND HOW THE EVALUATION WAS CONDUCTED

(Tab A-2)

The system of internal accounting and administrative control, of the Office of Administration, in effect during the fiscal year ending September 30, 2001, was evaluated in accordance with federal guidelines. Included is an evaluation of whether the system of internal accounting and administrative control in TMA/Admin are in compliance with standards prescribed by the Comptroller General.

The objectives of the system of internal accounting and administrative control of the Office of Administration are to provide reasonable assurance that:

- obligations and costs are in compliance with applicable law;
- funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and
- revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets.

The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits expected to be derived there from, and that the benefits consist of reductions in the risks of failing to achieve the stated objectives. The expected benefits and related costs of control procedures should be addressed using estimates and managerial judgment. Furthermore, errors or irregularities may occur and not be detected because of inherent limitations in any system of internal accounting and administrative control, including those limitations resulting from resource constraints, congressional restrictions, and other factors. Finally, projecting any evaluation of the system in future periods is subject to risk that procedures may be inadequate because of changes in conditions, or that the degree of compliance with procedures may deteriorate. Therefore, statements of reasonable assurance are provided within the limits of the proceeding.

The evaluation was performed in accordance with the guidelines identified above and other information provided from other sources (that is GAO reports, DoD IG reports, or internal audits, management studies, internal review, etc.). The results indicate that the system of internal accounting and administrative control of the Office of Resource Management in effect during the fiscal year that ended September 30, 2001, taken as a whole, complies with the requirement to provide reasonable assurance that the above mentioned objectives were achieved. This reasonable assurance is within the limits described in the preceding paragraph.

Determination of Reasonable Assurance

The following describes how the evaluation was conducted and the areas reviewed during the evaluation:

- (1) Progress Made in Institutionalizing the Internal Management Control (IMC) Program.** Substantial efforts were made in institutionalizing controls and management responsibilities. Assessable unit inventories were reviewed and revalidated, and determined to be reflective of the current focus of the Office of Administration. The Director, Office of Administration meets weekly with the Team Leaders to account for and manage all office expenditures.
- (2) Improvements to IMC Program Coverage.** There were additional improvements in the procedure of the IMC program due to the Resource Management Office.
- (3) Problems Encountered in Implementing the Program.** None
- (4) Other Program Considerations.** None
- (5) Deviations from OMB Guidelines.** None
- (6) Special Concerns.** None
- (7) Methods, Mechanism, or Techniques Employed in the Program.**
 - A. Management Control (MC) Weaknesses Tracking System:** None
 - B. Component IG or Audit Findings.** None
 - C. Component Inspections.** None
 - D. DoD-IG Reports and Reviews.** None
 - E. MC Training.** None
 - F. MC Performance Standards.** None
 - I. GAO Reports and Reviews.** N/A
 - H. OSD Functional Proponent Proposals Submitted Through the DoD IMC Program.** None
 - I. Information Technology Initiatives.** None
 - J. MCP References in Directives, Regulations, and Other Guidance.** N/A

K. Congressional Reviews and Hearings. None

L. Command or other Subordinate “Letters of Assurance.” N/A

M. Productivity Statistics. N/A

N. Internal Reviews. Internal management reviews of management controls were conducted by the Director, Chief of Staff, and Chief of Support Services. No material weaknesses were identified.

O. Defense Regional Inter-Service Support Studies. N/A

P. Procurement Management Reviews. The Chief of Staff and Chief of Support reviewed the procurement and contracting processes used by the Office of Administration. No material weaknesses were identified.

Q. Quality Assurance Reviews. N/A

R. “Hot Line” Reports. None

TRICARE MANAGEMENT ACTIVITY
Communications and Customer Services

DESCRIPTION OF THE CONCEPT OF REASONABLE ASSURANCE
AND HOW THE EVALUATION WAS CONDUCTED

Tab A-3

The system of internal accounting and administrative control of the Office of Communications and Customer Services (C&CS) in effect during the fiscal year ending September 30, 2002, was evaluated in accordance with the guidance provided by the Office of Management and Budget Circular No. A-123 (Revised), "Management Accountability And Control," June 21, 1995, as implemented by DoD Directive 5010.38, "Management Control Program," August 26, 1996, and DoD Instruction 5010.40, "Management Control Program Procedures," August 28, 1996. The Office of Management and Budget guidelines were issued by the Director of the Office of Management and Budget, in consultation with the Comptroller General, as required by the Federal Managers' Financial Integrity Act of 1982.

The results indicated that the system, taken as a whole, complies with the requirement to provide reasonable assurance that:

- a. Obligations and costs are in compliance with applicable law
- b. Assets are safeguarded against waste, loss, unauthorized use, and misappropriation
- c. Revenues and expenditures applicable to office operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets.
- d. Programs and administrative and operating functions are efficiently and effectively carried out in accordance with applicable law and management policy.

The concept of reasonable assurance recognizes that the costs of management control should not exceed the benefits to be derived there from, and that the benefits consist of reductions in the risks of failing to achieve the stated objectives. The expected benefits and related costs of control procedures should be addressed using estimates and managerial judgment. Furthermore, errors or irregularities may occur and not be detected because of inherent limitations in any system of internal accounting and administrative control, including those limitations resulting from, congressional restrictions, and other factors. Finally, projection of any evaluation of the system to future periods is subject to risk that procedures may be inadequate because of changes to conditions, or that the degree of compliance with procedures may deteriorate. Therefore, statements of reasonable assurance are provided within the limits of the preceding.

Determination of Reasonable Assurance Status:

The evaluation was performed in accordance with the appropriate guidance, instructions, and regulations. The basis for the determination of the reasonable assurance status is the quality and vigor of each directorate's management control programs. All of the C&CS directorates have strong active programs. In addition to completing vulnerability assessments and internal control reviews when required, the C&CS conducts other self-assessments periodically to review the program as a whole.

The following describes the areas assessed and methods of review used during the evaluation:

- (1) **Progress Made in Institutionalizing the Internal Management Control (IMC) Program.** Substantial efforts were made in institutionalizing controls and management responsibilities. Assessable unit inventories were reviewed and revalidated, and determined to be reflective of the current focus of each directorate.

The Director, C&CS, meets regularly with directorate heads to account for and manage all office expenditures. The Deputy Director, C&CS, along with senior director personnel, track said expenditures and accounts for all invoices for finished work products. This periodic accounting of invoices ensures billing property as well as helps the Director managing remaining funds. Other office expenses are tracked and accounted for by Director's administrative assistance that provides the Director with monthly updates on expenditures and remaining funds.

- (2) **Improvements to IMC Program Coverage.** There were additional improvements in the procedure of the IMC program as a result of the working relationship with the Resource Management Office.
- (3) **Problems Encountered in Implementing the Program.** None
- (4) **Other Program Considerations.** None
- (5) **Deviations from OMB Guidelines.** None
- (6) **Special Concerns.** None
- (7) **Methods, Mechanism, or Techniques Employed in the Program.**
- a. **Management Control (MC) Weaknesses Tracking System:** None
 - b. **Component IG or Audit Findings.** None
 - c. **Component Inspections.** None
 - d. **DoD-IG Reports and Reviews.** None

e. MC Training. The Program Integrity Branch, AM&S, provides informal training throughout the year to those directorates requiring assistance in the completion of vulnerability assessments, internal control reviews, and letters of assurance.

f. MC Performance Standards. Comments on performance of management control functions are included in managers' performance standards and evaluations.

g. GAO Reports and Reviews. N/A

h. OSD Functional Proponent Proposals Submitted Through the DoD IMC Program. None

i. Information Technology Initiatives. None

j. IMC References in Directives, Regulations, and Other Guidance. N/A

k. Congressional Reviews and Hearings. None

l. Command or other Subordinate "Letters of Assurance." N/A

m. Productivity Statistics. N/A

n. Defense Regional Inter-Service Support Studies. N/A

o. Procurement Management Reviews. N/A

p. Quality Assurance Reviews. N/A

q. "Hot Line" Reports. None

TRICARE MANAGEMENT ACTIVITY
Health Program Analysis and Evaluation

DESCRIPTION OF THE CONCEPT OF REASONABLE ASSRANCE
AND HOW THE EVALUATION WAS CONDUCTED

(Tab A-4)

The system of internal accounting and administrative control of the Office of Health Program Analysis and Evaluation (HPA&E), in effect during fiscal year ending September 30, 2002, was evaluated in accordance with federal guidelines. The results indicate that the system, taken as a whole, complies with the requirements to provide reasonable assurance that the following objectives were achieved. This reasonable assurance is within the limits described in the succeeding paragraphs.

The objectives of the system of management control in the HPA&E office are to provide reasonable assurance that:

- Obligations and costs are in compliance with applicable laws.
- Assets are safeguarded against waste, loss, unauthorized use, and misappropriation.
- Revenues and expenditures applicable to office operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets.
- Programs, administrative and operation functions are efficiently and effectively carried out in accordance with applicable laws and management policies.

The concept of reasonable assurance recognizes that the costs of management control should not exceed the benefits to be delivered there, and the benefits consist of reductions in the risk of failing to achieve the stated objectives. The expected benefits and related costs of control procedures should be addressed using estimates and judgment. Furthermore, errors and irregularities may occur and not be detected because of inherent limitations in any system of internal accounting and administrative control, including those limitations resulting from resource restraints, congressional restrictions, and other factors. Finally, projection of any evaluation of the system to future periods is subject to risk that procedures may be inadequate because of changes in conditions, or that the degree of compliance assurance are provided within the limits of the preceding.

The evaluation was performed in accordance with the appropriate guidance, instructions, regulations and other sources (GAO reports, DoD IG reports, or internal audits, management studies, internal reviews, etc.). The HPA&E Directorate has an effective program. In addition to completing vulnerability assessments and internal control reviews when required, HPA&E

monitors its own internal progress in meeting all Internal Management Control (IMC) goals and objectives.

Determination of Reasonable Assurance Status

The following describes the areas assessed and methods of review used during the evaluation:

(1) Progress made in institutionalizing the Internal Management Control (IMC)

Program:

- The HPA&E staff continued its oversight of data access and data release. A formalized team consisting of an IT specialist, the Information Management Control Officer, the HPA&E Deputy Director, the Data Use Agreement specialist, and is supported by the OSD Privacy Officer. This team works in conjunction with the CEIS program manager, as well as the CHAMPUS claims office, the FOIA Officer, and the TMA legal team. All parties involved provide input, review, approval, etc., with respect to the release of privacy protected information in TMA systems.
- Monthly meeting with contractors ensuring performance to stated level of effort outlined in the contract. HPA&E works closely with Acquisition Management and Support Directorate to ensure contracts adhere to all contract laws.

(2) Improvement to Program Coverage:

- HPA&E refined its web site to include past surveys to ensure results are available to our beneficiaries.
- HPA&E developed policy guidance for the MHS relative to the dissemination, storage, control, release, and destruction of privacy protected information.
- Three new assessable units (AU) were developed and reviewed in HPA&E for Fiscal Year 2002: (1) TMA travel; (2) Invoice Certification; and (3) Purchase Card Review. All three AU's were evaluated and rated low.
- Revalidated Assessable Units. HPA&E reviewed Release of Privacy Protected Information and found no need to change the rating designation of low from the previous year.

(3) Problems Encountered in Implementing the Program: No unusual problems were encountered.

(4) Other Program Considerations: None

(5) Deviations from OMB guidelines: None

(6) Special Concerns: None

(7) Methods, Mechanisms or Techniques Employed in the Program:

a. Management Control Weaknesses, Tracking Systems:

- All identified recommendations resulting from internal management control reviews are maintained and tracked by the RM Directorate. This system is periodically updated to reflect changes in the program status.

b. Component IG or Audit Findings: None

c. Component Inspections: None

d. Do DIG Reports and Reviews: None

e. Management Control Training: The RM Directorate and the IMC POC provide informal training on an on-going basis.

f. Management Control Performance: Comments on performance of management control functions are included in manager's performance standards and evaluations.

g. GAO Reports and Reviews:

- GAO-02-67 MEDICARE SUBVENTION DEMONSTRATION – DoD Costs and Medicare Spending. Audit stated three objectives: to examine the costs to DoD of Senior Prime Enrollees, compare Medicare's capitated rate to what Medicare would have spent on Senior Prime enrollees without the demonstration, and determine the impact of the BBA's payment rules for the demonstration on Medicare's payments to DoD. HPA&E concurred with the report but disagreed with some conclusions drawn from the data. HPA&E has no further responsibility for the implementation of this program. The Medicare demonstration is no longer a viable program, so there are no further impacts to TMA/DoD.
- GAO-02-68 MEDICARE SUBVENTION DEMONSTRATION: Greater Access Improved Enrollee Satisfaction but Raised DoD Costs. GAO's objectives in this demonstration were to examine the effect of the demonstration on enrollees' and nonenrollees' access to health care and the consequences of changes in access to care for retirees' satisfaction, health outcomes, and DoD costs. HPA&E concurred with the report but disagreed with some conclusions drawn from the data. HPA&E has no further responsibility for the implementation of this program. The Medicare demonstration is no longer a viable program, so there are no further impacts to TMA/DoD.

h. OSD Functional Proponent submitted through the DOD Management Control Program: None

i. Information Technology Initiatives: None

j. IMC References in Directives, Regulations, and Other Guidance: None

- k. Congressional Reviews and hearings:** None
- l. Command or other subordinate “Letters of Assurance”:** None
- m. Productivity Statistics:** None
- n. Defense Regional Inter-Service Support Studies:** None
- o. Procurement Management Reviews:** None
- p. Quality Assurance Reviews:** None
- r. Hotline Reports:** None

TRICARE MANAGEMENT ACTIVITY
Information Management, Technology and reengineering Directorate

DESCRIPTION OF THE CONCEPT OF REASONABLE ASSURANCE
AND HOW THE EVALUATION WAS CONDUCTED

(Tab A-5)

The system of internal accounting and administrative control, of the Information Management, Technology and Reengineering (IMT&R) Directorate, TRICARE Management Activity (TMA) and the Program Executive Office (PEO), Military Health System Information Technology (MHS IT), in effect during the fiscal year ending September 30, 2002, was evaluated in accordance with the guidelines provided by the Office of Management and Budget Circular No. A-123 (Revised), "Management Accountability and Control," June 21, 1995, as implemented by DoD Directive 5010.38, "Management Control Program," August 26, 1996, and DoD Instruction 5010.40, "Management Control Program Procedures," August 28, 1996. The Office of Management and Budget guidelines were issued by the Director of the Office of Management and Budget, in consultation with the Comptroller General, as required by the Federal Managers' Financial Integrity Act of 1982. Included is an evaluation of whether the system of internal accounting and administrative control of IMT&R and PEO, MHS IT is in compliance with standards prescribed by the Comptroller General.

The objectives of the system of internal accounting and administrative control of IMT&R and PEO, MHS IT are to provide reasonable assurance that:

- Obligations and costs are in compliance with applicable law;
- Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and
- Revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets.

The evaluation of management controls extends to every responsibility and activity undertaken by IMT&R Directorate as well as the Program Executive Office, Military Health System Information Technology, and is applicable to financial, administrative and operational controls. Furthermore, the concept of reasonable assurance recognizes that the cost of management control should not exceed the benefits expected to be derived there from, and that the benefits consist of reductions in the risks of failing to achieve the stated objectives. The expected benefits and related costs of control procedures should be addressed using estimates and managerial judgment. Moreover, errors or irregularities may occur and not be detected because of inherent limitations in any system of internal accounting and administrative control, including those limitations resulting from resource constraints, congressional restrictions, and other factors. Finally, projection of any evaluation of the system to future periods is subject to risk that procedures may be inadequate because of changes in conditions, or that the degree of compliance with procedures may deteriorate. Therefore, statements of reasonable assurance are provided within the limits of the preceding.

The evaluation was performed in accordance with the guidelines identified above. The results indicate that the system of internal accounting and administrative control of IMT&R and PEO, MHS IT in effect during the fiscal year that ended September 30, 2002, taken as a whole, complies with the requirement to provide reasonable assurance that the above mentioned objectives were achieved. This reasonable assurance is within the limits described in the preceding paragraph.

Determination of Reasonable Assurance Status

The basis for determining the reasonable assurance status of Information Management, Technology and Reengineering (IMT&R) and the Program Executive Office (PEO), Military Health System Information Technology (MHS IT) is based on the quality efforts of IMT&R and the PEO, MHS IT personnel throughout the fiscal year to integrate management controls as part of their daily responsibility. In addition to the vulnerability assessment performed this year, IMT&R and PEO, MHS IT personnel conducted periodic reviews and/or assessments of their programs. Minor corrections to programs were made, when necessary, to preclude any material weaknesses.

The following describes how the evaluation was conducted and areas reviewed during the evaluation:

(1) Progress Made in Institutionalizing the Management Control (MC) Program. Several substantial efforts were made to institutionalize the Management Control Program for IMT&R and PEO, MHS IT this year.

Overall Program. In an effort to continue the institutionalization of the IMT&R and PEO, MHS IT Management Control Program, the Director, Capital Assess Management and Oversight (CAM&O) has been designated as the internal Senior Responsible Official. A major review of the MC program was conducted this year and updates were made to improve the program and revalidate compliance with DoD MC guidance. A handbook on the IMT&R and PEO, MHS IT Management Control Program was developed documenting the program. The handbook will be provided to each employee. An updated training and awareness agenda has been developed to ensure: 1) appropriate levels of training for personnel and 2) the issuance of periodic MC awareness bulletins to reinforce the daily practice of good management control. During this fiscal year, support staffs for the Senior Responsible Official have attended training classes to improve MC skills. They are also active members of the TRICARE Management Activity (TMA) Management Control Work Group and were instrumental in the revision of the TMA Assessable Unit Vulnerability Assessment form based on the five GAO standards.

Information Management Technology and Reengineering. IMT&R continues to incorporate the principles outlined in administration and statutory asset management initiatives, such as Government Performance and Results Act of 1993, the Federal Acquisition Streamlining Act of 1994, and the IT Management Reform Act (Clinger-Cohen) of 1996, in management and oversight processes. The MHS Tri-Service IM/IT Program continues to incorporate the processes required by these Acts, such as mission-driven requirements prioritization and portfolio management; aggressive management of cost, schedule and performance goals; and the associated management oversight of program operations in order to achieve performance and life-cycle cost goals. A major management tool under development, that will institutionalize the MC Program further, is the MHS Enterprise Architecture. The MHS Enterprise Architecture is

the responsibility of the recently designated Chief Enterprise Architect for the MHS, IM/IT Program.

- Military Health System E-Business Policy and Standards. The Clinger-Cohen Act of 1996 requires all Federal agencies to develop an enterprise architecture (EA) that assures all information systems align with the organization's mission, goals and objectives. The MHS EA documents the MHS business operations; the information technology that supports achieving the MHS health care delivery mission; and the standards, guidelines and policies that guide development of interoperable information systems within DoD and between its Federal and industry business partners. As required by the DoD *Command, Control, Communications, and Computers, Intelligence, Surveillance and Reconnaissance (C4ISR) Architecture Framework* guidance, the MHS EA consists of operational, systems, and technical views of architecture that logically combine to describe the EA. An "all view" perspective provides overview information and common definitions.
 - The MHS EA establishes a common vision of integrated, interoperable information systems traceable to MHS business practices and requirements that support an integrated and consistent investment portfolio. Together, the portfolio and architecture provide acquisition traceability by fiscal year among requirements, plans, budgets, expenditures and products within the centrally managed IM/IT Program.
 - Development of the Draft MHS EA Version 1.0, April 1, 2002, was a joint collaboration effort involving the Electronic Business, Policy and Standards directorate, the Program Executive Officer for Information Technology, and the Technology Management, Integration and Standards directorate.
 - The Functional Integration Working Group used the business processes documented in the MHS EA to develop Fiscal Year 2004 - 2009 capabilities.
 - Technical standards documented in the MHS EA support information exchanges between DoD, Federal and business partner information systems.
 - Planned activities for future releases include: 1) Validate, complete and enhance current products to accurately reflect changes in processes and technology; 2) Refine the capability development support in Program Objective Memorandum processes and budget development to demonstrate cost reductions; 3) Incorporate Command, Control, Communications, Computers and Intelligence Support Plans with the MHS EA.
 - Updates will be incorporated as completed with the next major release planned for Fall 2002.
- Planning and Performance Management (P&PM). During Fiscal Year 2002, the P&PM directorate continued implementation of the MHS Strategic Vision with participation from the Services and Joint Staff.
 - In Fiscal Year 2002, P&PM will publish the MHS Information Management/ Information Technology (IM/IT) Strategic Plan (2002-2007) updating the earlier 1999-2003 Plan.
 - P&PM is currently developing a Strategic Planning Process, Concept of Operations (CONOPS) to ensure institutionalization of strategic planning processes.
 - By the end of Fiscal Year 2002, P&PM will place the MHS, IM/IT Information Resource library on-line.

- The Fiscal Year 2003 Annual Performance Plan (APP), which is based upon the MHS IM/IT Strategic Plan, is scheduled for completion in late Fiscal Year 2002. The APP specifies program activities related to the strategic goals, and includes budget allocations for these activities, plus measures of performance for the monitoring and evaluation of program results. The MHS IM/IT Strategic Plan and the MHS IM/IT Annual Performance Plans are in conformance with, and facilitate MHS IM/IT Program compliance with applicable Federal Acts, Regulations, and Guidance.
- P&PM established an MHS, IM/IT Annual Performance Plan quarterly measurement and reporting procedures for the MHS, CIO. Also, P&PM developed a draft Standard Operating Procedures Manual for the MHS, IM/IT Annual Performance Plan.
- Capital Asset Management and Oversight (CAM&O). Based on revisions to OMB A-11, the CAM&O Directorate conducted a substantial revision to the MHS IT 300s. Institutionalizing management controls in the budget area is demonstrated by CAM&O's efforts in designing and implementing a financial management tool that significantly improves the storage, retrieval, and manipulation of budgeting information. This effort has resulted in major improvements to standardization of the budget process in terms of methodology and terminology as well as the ability to create and support "what if" scenarios in support of the annual DoD budgeting cycle.

In coordination with the Program Executive Officer and Director, Information Management (IM), CAM&O established procedures that provide a bi-weekly review of available sources and application of funds with respect to current Fiscal Year emergent requirements. This process is the vehicle that surfaces to the Director, IM; the PEO; and Director, CAM&O those urgent unfunded requirements that require senior management attention.

Program Executive Office (PEO), MHS IT. The Program Executive Officer, MHS IT has oversight of the IT Program Managers and regularly conducts staff meetings and in-process reviews of their programs to ensure that they are operating within budget and schedule objectives and thresholds, and if not, ensuring corrective actions are identified and implemented. Routine meetings are held with Information Management to ensure effective management of new requirements affecting IT programs. Programs continue be managed in accordance with the Defense Acquisition System management framework identified in DoD 5000 Series guidance.

- The PEO has developed Process Improvement policy guidance and the MHS IM/IT Process Improvement Program Implementation Plan. A Questionnaire Based Assessment is being conducted to establish a baseline for process improvement
- The Integrated Program Planning, Scheduling, and Reporting System (IPPSRS), which is an automated performance tracking system developed by the MHS, is a management tool used by the Program Managers within the PEO, MHS IT to identify program management problems early and take corrective actions. Program Managers participate in periodic reviews and verification to ensure data is accurate, timely, and complete.
- Program Offices are participating fully in the Enterprise Process (EP) Integrated Product Team (IPT) which includes the entire MHS Information Management and

Information Technology community, working to standardize processes with the IT arena.

- All Program Managers have implemented the Software Engineering Institutes Capability Maturity Modeling framework, Capability Maturity Model-Integrated (CMMI), to enable the program offices to adjust the focus of improvement to the process areas of greatest impact. Integrated Process Teams (IPTs) are chartered to facilitate process/performance improvement activities in support of the CMMI Capability Level.

In addition to day-to-day management control activities performed within IMT&R and the PEO, the following continue to provide high-level oversight and control:

- MHS Information Management Proponent Committee (IMPC). The MHS IMPC serves as the executive level committee responsible for review and approval of a broad spectrum of health Information Management and Information Technology programs, guidelines, standards, business process reengineering initiatives, and functional process improvement opportunities. It meets monthly to consider decision items, conduct in-process reviews, and receive information briefings on various MHS IM/IT initiatives. During Fiscal Year 2002, the Committee has continued to monitor the compliance with program priorities established in the MHS Investment Portfolio. The IMPC conducted detailed in-process reviews of several of the major Program Areas and many special interest programs. The Committee received live demonstrations of the technology products being developed. Members continue to focus efforts on reviewing critical issues associated with the deployment of the Composite Health Care System II (CHCS II).
- Information Technology (IT) Program Review Board (PRB). The IT PRB serves as the executive-level board responsible for conducting in-depth reviews of the Military Health System (MHS) Information Management/Information Technology (IM/IT) Program. The mission of the PRB has again been refined in the past year to improve coordination with the Program Executive Office (PEO) and the Information Management Directorate. The Board collects, analyzes and makes recommendations regarding technical and functional requirements, programmatic, and budgetary issues associated with all automated information systems in the MHS. Members, consisting of the Service Medical Chief Information Officers, PEO, representative from the Joint Staff, and functional and technical representatives from the TRICARE Management Activity, review and coordinate the presentation of all IM/IT issues prior to presentation to the Information Management Proponent Committee.
- Financial Execution Review Meetings. Financial Execution reviews for the IM/IT Program Operations and Maintenance (O&M) and Procurement (PROC) and Research, Development, Test and Evaluation (RDT&E) funds were conducted with PEO; Director, IM; MHS CIO; Capital Asset Management & Oversight (CAM&O) and the Program Areas bi-monthly. A Mid-Year execution review was provided to OUSD(Comptroller), Office of Management & Budget, TMA Resource Management, the Deputy Assistant Secretary of Defense (Health Budgets and Financial Policy) and Military Department representatives to demonstrate that approved projects were

carried out as directed and funds were utilized as approved in the Fiscal Year 2002 IM/IT Portfolio.

- (2) Improvements to MC Program Coverage.** Several substantial efforts were made to improve the Management Control Program coverage for IMT&R and PEO, MHS IT this year. A complete review of the IMT&R and PEO, MHS IT assessable units was recently completed to determine: 1) if all operations and function were covered by the current assessable units, and 2) if the assessable units were of the appropriate nature and size to facilitate the conduct of a meaningful risk assessment and evaluation. For Fiscal Year 2003, the assessable units will be adjusted to provide more complete coverage.

Additionally, specific management control guidance was issued, within IMT&R and the PEO, MHS IT, this fiscal year covering: 1) Contract monitoring, 2) Travel and IMPAC card usage, and 3) Personnel performance evaluation of management control responsibilities.

Information Management Technology and Reengineering.

- Technical Management, Integration and Standards (TMI&S). TMI&S developed and implemented a formal Standard Operating Procedure (SOP) document for their contracts and financial management that details mechanisms for ensuring that TMI&S receives quality products that meet their goals and objectives. The SOP establishes specific procedures for Task Order development, Deliverables Management, Invoice Management, and Contract Review.

TMI&S has incorporated Management Reviews into their bi-weekly staff meetings. During staff meetings, progress/status reports are provided by each department within the division including reports on contracts activity, deliverables, future suspenses, and the division's financial status.

MHS Information Assurance (IA) has added to its current arsenal of IA policies and guidance a detailed SOP on DoD Information Technology Security Certification and Accreditation Process (DITSCAP) for conducting certification and accreditation testing on TMA and centrally managed systems/networks. This SOP ensures that a consistent, documented, reproducible approach to IA certification testing is utilized so MHS IA produces only quality products for its customers.

- Computer/Electronic Accommodations Program (CAP). CAP continues to improve its internal management controls. CAP has expanded to provide assistive technology for employees with disabilities in DoD and non-DoD agencies. CAP projects that it will fill over 4200 requests for accommodations each year. In order to meet the needs of our customers and provide quality services, CAP has enhanced its database system to address the additional tracking and internal management requirements. The objective of the CAP Database Management System is to measure operational performance and provide vital information about procurement processing time, customer services, budget reports, and marketing events. The CAP Database Management System provides a common set of tools to capture, manage, present and integrate accurate information on the status of CAP funding, accommodations and initiatives. The system is also designed to ensure growth opportunities are met with timely technical support.

CAP's commitment to the database has allowed the exploration of new channels to improve services. CAP moved to a managed request system in order to offer improved customer service and increased reporting capabilities. With this significant enhancement, CAP was able to offer benchmark accommodations information for DoD and federal agencies. In Fiscal Year 2001, CAP began using a Visual Basic system to comply with Section 508 standards. CAP is also working to integrate the CAP Web site with the CAP Database Tracking System. This integrated service system is identified as eCAP and will be operable before the end of Fiscal Year 2002.

Program Executive Office (PEO), MHS IT. The PEO, MHS IT, during the last 12 months, has drafted an ACAT III oversight/management process which is in the early implementation stage. The process is aimed at providing the Milestone Decision Authority information to avoid the four most common problems associated with program failure: lack of a requirements baseline, inadequate funding, immature technology, and lack of a defined acquisition strategy. Additionally, the PEO is engaged in an enterprise-wide process improvement program aimed at improving acquisition processes.

(3) Problems Encountered in Implementing the Program. No unusual problems were encountered.

(4) Other Program Considerations.

Information Management Technology and Reengineering

- The Military Health System Interagency IM/IT Planning and Integration. In accordance with presidential mandates and federal legislation, DoD's goal is to link information management and technology opportunities and organizations to the mutual benefit of the Military Health System (MHS) and other non-DoD entities. Joint efforts include:
 - 1) Federal Health Information Exchange (FHIE)—DoD and VA have collaborated closely to develop this vehicle that enables DoD to transfer health information to VA on Service members upon separation and on Service members previously separated.
 - 2) DoD Transportation Command Regulating and Command Control Evacuation System (TRAC2ES)—provides global patient evacuation planning in an integrated system that VA is using to submit bed reporting and contingency data, providing a complete picture of medical resource availability.
 - 3) DoD/VA is evaluating the compatibility of their health information architecture standards (technical, communications, and security systems) to foster systems interoperability and information sharing.
- Computer/Electronic Accommodations Program (CAP). CAP has recently received awards from two national organizations. The Distinguished Contribution to Assistive Technology Award from the Rehabilitation Engineering and Assistive Technology Society of North America (RESNA). The award recognizes programs that have made a sustained contribution to the field of assistive technology. RESNA, a non-profit organization founded in 1979, is an interdisciplinary association of people with a common interest in technology and disability.

Their purpose is to improve the potential of people with disabilities to achieve their goals through the use of technology. RESNA's membership ranges from rehabilitation professionals to consumers. All members are dedicated to promoting the exchange of ideas and information for the advancement of assistive technology.

CAP also received the Excellence in Employment Award from the National Association of the Deaf (NAD). This award recognizes organizations that have advanced the equality, dignity and independence of deaf and hard of hearing individuals.

- Network Operations Directorate. The Network Operations Directorate manages the implementation and operations of the Health Affairs Office Automation (HA/OA), to include inventory of all HA/OA automation equipment and software and user training on all applications. This year HA/OA received DISCAP Certification for the network. The directorate also published revisions to the TMA Policy, Operations, ADP, and CFR Manuals.

Program Executive Office.

- Defense Medical Logistics Standard Support (DMLSS) System: The DMLSS Program Office is working with the Department of Veterans Affairs (DVA) to enhance interdepartmental cooperation particularly as it relates to the sharing of data in the health care information systems and working toward an information technology solution that will meet the needs of both departments.
- Tri-Service Infrastructure Management Program Office (TIMPO): During this fiscal year, TIMPO has implemented several management tools such as a risk management database, life cycle cost models and infrastructure readiness checklists. TIMPO was recognized as the recipient of the 2002 National Pioneer Award for an outstanding E-Government best practice application that has streamlined operations and improved Government services.
- TRICARE Online (TOL) Program Office. The TOL Program Office was established in April 2002. TOL relies on a combination of oversight Integrated IPTs, such as eHealth Oversight IPT and the newly established ACAT III OIPT. Within the project, TOL incorporates a series of working level IPTs that focus on the achievement of very specific project goals. All WIPTs fall under the oversight of the TOL Program Manager through weekly TOL Program Office team meetings.

(5) Deviations from OMB Guidelines. None.

(6) Special Concerns. None

(7) Methods, Mechanisms, or Techniques Employed in the Program.

a. MC Weaknesses Tracking System. A management control tracking system is in place and no material weaknesses were identified.

b. Component or IG Audit Findings. None.

c. Component Inspections. None.

d. DoD-IG Reports and Reviews: A tracking/reporting tool to include more extensive monthly progress updates was provided to the PEO. Weekly updates of all active audits for which IMT&R was the primary POC were also provided to the leadership. These tracking tools kept the leadership informed and placed greater emphasis on the closure of outstanding findings and recommendations. Work groups met regularly on active audits to facilitate the flow of information to the IG Auditors. Frequent meetings occurred and extensive documentation was provided to the auditors to minimize the findings and recommendations. A tracking tool was developed to document the information flow to the auditors and the length of time required to answer IG requests. During this period, four audits were closed that were directly relevant to IMT&R.

Title: Research on the Quality of Purchased Care Data D2001FA-0114

Objective: To identify and review all previous work related to the purchased care programs and the reliability of purchased care data used to estimate DoD Military Retirement Health Benefits Liability for Fiscal Year 2001 and beyond.

Start Date: August 8, 2001

Closed: April 2002

Recommendations: Complete certification, establish and test back-up procedures for data files and develop Standard Operating Procedures.

Status: At the six-month follow-up, all open recommendations were completed.

Title: Audit of the Preventive Health Care Application (PHCA) and Associated Upgrades D2001LF-0184

Objective: Determine (1) whether the PHCA and associated upgrades adequately support the Put Prevention into Practice Program and (2) if the management control program is applicable to the deployment of the PHCA and associated upgrades.

Start Date: August 2001

Closed: May 2002

Recommendations: None

Status: No open recommendations.

Title: DoD's Implementation of the Statement of Federal Financial Accounting Standards No. 10 "Accounting for Internal Use Software" D2001FH-0079

Objective: Determine whether DoD is in compliance with Statement No.10, which requires all Federal agencies to report internal use software in a specified and consistent manner starting in October 2000.

Start Date: April 2001

Closed: August 2002

Recommendations: None specific to IM/IT

Status: No open recommendation for IM/IT

Title: Armed Services Blood Program (ASBP) (2nd Phase) #25557/27365

Objective: Determine whether the management and administration of the ASBP is adequate to ensure blood products are properly handled and controlled during both peacetime and wartime.

Start Date: 10 October 2000

Closed: October 22, 2001

Recommendations: Original key functional requirements identified by system users as critical are incorporated. Establish management controls to ensure: system request processed completely and timely, and entered in the tracking system, review of trouble tickets submissions is complete, and that trend analysis are completed on trouble tickets. Establish procedures to ensure that spare or replacement mobile servers and workstations are available, establish a method to inform users and system administrators about the trouble ticket process and procedures. Provide updated computer based training. Make sure in transit inventory is not counted twice, and jointly implement a plan to correct software deficiencies with the interface.

Status: At six-month follow-up, five recommendations were closed. A work around was implemented to ensure that the inventory was not counted twice, with a permanent fix for Fiscal Year 2005. Correction of the software interface is scheduled for 3rd Quarter Fiscal Year 2005. The TMIP fix is scheduled for 3rd Quarter Fiscal Year 2003.

e. MC Training. Training and awareness are significant aspects of the Management Control Program for IMT&R and PEO, MHS IT. A new agenda for training was developed this year. All personnel will be involved in some form of in-house training as appropriate. Also, a new initiative was developed to provide for the issuance of periodic MC awareness bulletins by email.

f. MC Performance Standards. Performances of management control functions are included in managers' performance standards and evaluations for both civilian and military personnel with significant MC responsibilities. Performance Standards have been added to address responsibility of managers to maintain management controls to ensure that, obligations and costs are in compliance with applicable laws. Funds, property and other assets are safeguarded against waste, fraud, and mismanagement.

g. GAO Reports and Reviews. The Audit Tracking reporting tool was refined to include more extensive monthly progress updates provided to the PEO. Weekly updates of all active audits for which IMT&R was the primary POC were also provided to the leadership. These tracking tools kept the leadership informed and placed greater emphasis on the closure of outstanding findings and recommendations. Work groups met regularly on active audits to facilitate the flow of information to the GAO Auditors. Frequent meetings occurred and extensive documentation was provided to the auditors to minimize the findings and recommendations. A tracking tool was developed to document the information flow to the auditors and the length of time required to answer GAO requests. During this period, one audit was completed that was directly relevant to IMT&R.

Title: Review of DoD's Composite Health Care System II (CHCS II) GAO 310217

Objective: Determine (1) the progress DoD has made against CHCS II program commitments, (2) whether DoD has economically justified investment in CHCS II, and (3) if

DoD has technical and management controls in place for acquiring, deploying, and operating/maintaining CHCS II.

Start Date: July 19, 2001

Response due August 19, 2002 to the IG

Recommendations: Draft Report contained three recommendations with only one pertaining to MHS and HA: Impact of deployment decisions, incremental investment management, verifying inventory risks and recommend use of performance based contracting.

Status: Awaiting final report.

h. OSD Functional Proponent Proposals Submitted Through the DoD MC Program.

None

i. Information Technology Initiatives

Information Management Directorate. The mission of the IM Directorate is to define, collect, and integrate MHS functional information management requirements. The Division is also responsible for managing the MHS functional requirements repository, developing the Information Management/Information Technology portfolio, and overseeing the MHS Capital Investment Plan. The IM Division accomplishes this mission in coordination with the Services through facilitation of Tri-Service workgroups and developing business processes to integrate the results of these workgroups. The IM Division is guided by the MHS Optimization Plan, which serves as the framework for IM investments and provides the specific components and activities to achieve a future state Tri-Service integrated health care delivery system. The future state is continuously considered and, if necessary, customized by the IM Division to support medical operations and the sustaining architecture.

The Director, Information Management strives to develop thorough and unambiguous requirements at the front end of the Automated Information System (AIS) Product requirements life-cycle by implementing a centralized process to provide clear definition, documentation, review, approval, and traceability of functional requirements. The resulting process entitled the IM Requirements and Configuration Management (RCM) process is supported by a prescribed change management methodology that guides the identification, collection, creation, maintenance, and management of functional requirements for AIS products that support the MHS. The IM RCM process includes process roles, responsibilities, phases, activities, procedures, inputs, outputs, work products, and timeframes necessary for MHS enterprise-wide functional requirements management and control. The Directorate interfaces with the four core Enterprise Business Requirements Processes of Integrated Healthcare (Access to Care, Provision of Care, Population Health Management, and Managing the Business).

The IM Directorate is currently establishing an IM process improvement IPT. The IPT will review and provide improvement recommendations for: (1) Service-specific medical IM requirements management processes; (2) the front end of the Central MHS IM requirements management process; (3) integration between Service-specific and Central MHS IM requirements management processes, including the MHS Program Executive Officer (PEO) Information Technology, the MHS Chief Architect, the Advanced Technology Innovation

Center, and Technology Management, Integration and Standards; and (4) the Functional Integration Work Group process. The IPT concept was approved by the IMPC on July 22, 2002. The IPT is expected to last six months, or until the IMPC has been briefed and decisions are made regarding the IPT's process improvement recommendations.

j. MC References in Directives, Regulations, and Other Guidance. Managers and employees with significant MC responsibilities, in order to ensure compliance with program objectives, reviewed references relative to MC (i.e. DoDD 5010.38, DoDI 5010.40 and OMB Circular A-123).

k. Congressional Reviews and Hearings. IMT&R staff prepared background information papers, preparatory questions and answers, and responses to ensuing Questions for the Record on IM/IT issues of congressional interest associated with the testimony of senior Health Affairs and DoD officials before the following committees:

- Joint hearing of the House Armed Services Committee and the House Committee on Veterans Affairs (HCVA) on DoD/VA Sharing of Medical Resources
- HCVA Subcommittee on Health—Military Medical Surveillance Systems Challenges
- Senate Appropriations Committee Defense Subcommittee—Medical
- Senate Armed Services Committee Oversight Hearing
- House Armed Services Committee Oversight Hearing

IMT&R researched, drafted, and coordinated reports to Congress on Medical Informatics, the Federal Health Information Exchange, and Telemedicine. Additionally, IMT&R complied with congressional direction to conduct studies of the MHS Information Systems and the merits of integrating the DoD and Department of Veterans Affairs credentialing/privileging systems.

l. Command or other subordinate "Letters of Assurance." Not Applicable.

m. Productivity Statistics. None

n. Internal Reviews.

Risk Assessments. Vulnerability assessments performed for Fiscal Year 2002 were: Health Insurance Portability and Accountability Act (HIPPA), MHS IM/IT Planning Integration, MHS IM/IT Data Administration, Program Executive Office (PEO), Software Capitalization, Centralized Credentials Quality Assurance System (CCQAS), Travel, Invoice Certification and Purchase Card Review.

Alternative Management Control Review. OSD (Program Analysis and Evaluation) (PA&E) conducted an assessment to support the Milestone IIIc approval for worldwide deployment of DMLSS Release 3 and turn-off of Service legacy systems. The results of the assessment indicated adequate compliance with regulations regarding reasonableness, realism, and traceability of the cost, schedule and performance (to include benefits) goals.

o. Defense Regional Inter-service Support Studies. None.

p..Procurement Management Reviews.

An enhanced Purchase Request Worksheet (PRW) workflow, tracking, management, and approval process was implemented within IMT&R and the PEO. This process ensures that PRW documentation, vendor selection criteria, contracting vehicle, and appropriation selection are fully coordinated and in accordance with established acquisition and financial regulations. Weekly reviews of all contract actions are conducted.

q. Quality Assurance Reviews. None.

r. "Hot Line" Reports. None

TRICARE MANAGEMENT ACTIVITY
Office of General Counsel

DESCRIPTION OF THE CONCEPT OF REASONABLE ASSURANCE
AND HOW THE EVALUATION WAS CONDUCTED

(Tab A-6)

This section describes the concept of reasonable assurance and the evaluation process used. The concept of reasonable assurance should be described as follows:

The system of internal accounting and administrative control, of the Office of General Counsel, in effect during the fiscal year ending September 30, 2002, was evaluated in accordance with the guidance in Office of Management and Budget (OMB) Circular No. A-123 (Revised), "Management Accountability and Control," dated June 21, 1995, as implemented by DoD Directive 5010.38, "Management Control Program," dated August 26, 1996, and DoD Instruction 5010.40, "Management Control Program Procedures," dated August 28, 1996. The OMB guidelines were issued in consultation with the Comptroller General of the United States, as required by the "Federal Managers' Financial Integrity Act of 1982." Included is an evaluation of whether the system of internal accounting and administrative control of the Office of General Counsel is in compliance with standards prescribed by the Comptroller General.

The objectives of the system of internal accounting and administrative control of the Office of General Counsel are to provide reasonable assurance that:

- The obligations and costs are in compliance with applicable laws
- Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation
- Revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of reliable accounting, financial and statistical reports and to maintain accountability over the assets.

The evaluation of management controls extends to every responsibility and activity undertaken by the Office of General Counsel and is applicable to financial, administrative and operational controls. Furthermore, the concept of reasonable assurance recognizes that: (1) the cost of management controls should not exceed the benefits expected to be derived and (2) the benefits include reducing the risk associated with failing to achieve the stated objectives. Moreover, errors or irregularities may occur and not be detected because of inherent limitations in any system of internal accounting and administrative control, including those limitations resulting from resource constraints, congressional restrictions, and other factors. Finally, projection of any system evaluation to future periods is subject to risk that procedures may be inadequate because of changes in conditions, or that the degree of compliance with procedures may deteriorate. Therefore, this statement of reasonable assurance is provided within the limits of the preceding description.

The evaluation was performed in accordance with the guidelines identified above. The results indicate that the system of internal accounting and administrative control of the Office of General Counsel in effect during the fiscal year that ended September 30, 2002, taken as a whole, complies with the requirement to provide reasonable assurance that the above mentioned objectives were achieved. This position on reasonable assurance is within the limits described in the preceding paragraph.

The basis for the determination of the reasonable assurance status is the quality and vigor of the individual manager's control program. The Office of General Counsel has a strong active program. In addition to completing selected vulnerability assessments, when required, such as the one for TMA Travel completed this year, the Office of General Counsel conducts its own self-assessment periodically to review our programs and minor program corrections are made to help preclude any material weakness. The following describes the areas assessed and methods of review used during the evaluation

1. Progress achieved in institutionalizing management controls
 - a. Prior to this fiscal year a redesign and implementation of significant changes to the case tracking system, which is a computerized database of all legal actions pending in the Office of General Counsel was conducted. That action substantially improved the management and review of the Office of General Counsel caseload and the increasing familiarity of Office of General Counsel personnel with the case tracking system has continued to improve that function.
 - b. Prior to this fiscal year design of a new computerized decision management system used to account for and preserve final decisions issued by TMA and the Assistant Secretary of Defense (Health Affairs) was conducted and implemented. As a result the Final Decision Index was both easier to use and more accessible to personnel within the Office of General Counsel resulting in greater use of that index.
2. Any improvements to MCP coverage. See 1, above.
3. A description of the problems encountered in implementing the MCP. None
4. Other considerations (e.g., resource constraints, technological bottlenecks, and operational or mission considerations) affecting the MCP. N/A.
5. Any deviations from the process as outlined in the OMB Guidelines. None
6. Any special concerns addressed in reports by the DoD IG, or other audits, investigations, inspections and/or internal reviews regarding MCP progress, program, needs, and/or problems. None.
7. Methods, mechanisms, or techniques employed in the discovery or execution phases of the program. The following are examples of methods, mechanisms, or techniques:
 - a. **MCP weakness tracking system (number of weaknesses and milestones).** None
 - b. **Organization Inspector General or Audit Service findings.** None

- c. **Reports of internal reviews and inspections.** None.
- d. **DoD IG reports and reviews.** None
- e. **MCP training.** A representative of the office attended the monthly TMA MCP Work Group meetings and briefed the Responsible Official on a periodic basis
- f. **MCP performance standards (e.g., such as those found in the GAO Internal Control Management and Evaluation Tool, August 2001).** None
- g. **GAO reports and reviews.** None.
- h. **Review of Office of the Secretary of Defense Functional Proponent Proposals (e.g., systemic weaknesses).** None.
- i. **Information Technology initiatives.** See 1, above.
- j. **MCP references in directives, regulations, and other guidance.** None.
- k. **Congressional reviews and hearings.** None.
- l. **Command or other subordinate organization “Letters of Assurance”.** None
- m. **Productivity statistics.** None.
- n. **Defense Regional Inter-Service Support studies.** None.
- o. **Management reviews in other functional areas (e.g., procurement; command, control, communications and intelligence; financial; or environmental).** Periodic reviews of the Ethics program are conducted by the Office of government Ethics. The last was conducted in Fiscal Year 1999.
- p. **Quality Assurance reviews.** None
- q. **“Hot Line” reports.** None.

TRICARE MANAGEMENT ACTIVITY
Operations Directorate

DESCRIPTION OF THE CONCEPT OF REASONABLE ASSURANCE
AND HOW THE EVALUATION WAS CONDUCTED

(Tab A-7)

The system of internal accounting and administrative control, of the Operations Directorate, in effect during the fiscal year ending September 30, 2002, was evaluated in accordance with the guidance in Office of Management and Budget (OMB) Circular No. A-123 (Revised), "Management Accountability and Control," dated June 21, 1995, as implemented by DoD Directive 5010.38, "Management Control Program," dated August 26, 1996, and DoD Instruction 5010.40, "Management Control Program Procedures," dated August 28, 1996. The OMB guidelines were issued in consultation with the Comptroller General of the United States, as required by the "Federal Managers' Financial Integrity Act of 1982." Included is an evaluation of whether the system of internal accounting and administrative control of the Operations Directorate is in compliance with standards prescribed by the Comptroller General.

The objectives of the system of internal accounting and administrative control of the Operations Directorate are to provide reasonable assurance that:

- The obligations and costs are in compliance with applicable laws
- Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation
- Revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of reliable accounting, financial and statistical reports and to maintain accountability over the assets.

The evaluation of management controls extends to every responsibility and activity undertaken by the Operations Directorate and is applicable to financial, administrative and operational controls. Furthermore, the concept of reasonable assurance recognizes that: (1) the cost of management controls should not exceed the benefits expected to be derived and (2) the benefits include reducing the risk associated with failing to achieve the stated objectives. Moreover, errors or irregularities may occur and not be detected because of inherent limitations in any system of internal accounting and administrative control, including those limitations resulting from resource constraints, congressional restrictions, and other factors. Finally, projection of any system evaluation to future periods is subject to risk that procedures may be inadequate because of changes in conditions, or that the degree of compliance with procedures may deteriorate. Therefore, this statement of reasonable assurance is provided within the limits of the preceding description.

The evaluation was performed in accordance with the guidelines identified above. The results indicate that the system of internal accounting and administrative control of the Operations Directorate in effect during the fiscal year that ended September 30, 2002, taken as a whole, complies with the requirement to provide reasonable assurance that the above mentioned

objectives were achieved. This position on reasonable assurance is within the limits described in the preceding paragraph.

The description of how the evaluation was conducted should include the following:

1. The Operations Directorate reviewed the management control processes within their responsibility to include, but not limited to the financial and budget process, time and attendance, program administration, COR and ACOR functions, data and information security requirements demonstrations, program funding, directive management, and the procurement process for compliance.
2. Improvements are continually being applied. Late this fiscal year and early next fiscal year, Operations will apply an activity based cost management system for financial management and budget execution.
3. No problems were encountered in the implementation of the management control system. The greatest difficulty is coordinating fact findings with the staff.
4. The Operations Directorate has undergone DoD IG audits, GAO audits, and other reviews by outside agencies during the past year. No significant finds or problems were reported by these agencies.
5. Methods, mechanisms, or techniques employed in the discovery or execution phases of the program. The following are examples of methods, mechanisms, or techniques:
 - a. **MCP weakness tracking system- None**
 - b. **Organization Inspector General or Audit Service findings -None**
 - c. **Reports of internal reviews and inspections. - None**
 - d. **DoD IG reports and reviews. –** DoD IG has an ongoing investigation, which required PEER Reviews under contract to meet the DoD IG's needs.
 - e. **MCP training**
 - f. **MCP performance standards** (e.g., such as those found in the GAO Internal Control Management and Evaluation Tool, August 2001)
 - g. **GAO reports and reviews. – None.**
 - h. **Review of Office of the Secretary of Defense (OSD) Functional Proponent Proposals (e.g., systemic weaknesses) - None**
 - i. **MCP references in directives, regulations, and other guidance. - None**
 - j. **Congressional reviews and hearings. None**
 - k. **Vulnerability Assessments.** Six assessments were done.
 - l. **Command or other subordinate organization “ Letters of Assurance”- None**

- m. Productivity statistics.** N/A
- n. Defense Regional Inter-Service Support studies.** None
- o. Management reviews in other functional areas-** None
- p. Quality Assurance reviews-** None
- q. “Hot Line” reports.** - None

TRICARE MANAGEMENT ACTIVITY
Resource Management Directorate

DESCRIPTION OF THE CONCEPT OF REASONABLE ASSURANCE
AND HOW THE EVALUATION WAS CONDUCTED

(Tab A-8)

The system of internal accounting and administrative control, of the Resource Management Directorate, in effect during the fiscal year ending September 30, 2002, was evaluated in accordance with the guidance in Office of Management and Budget (OMB) Circular No. A-123 (Revised), "Management Accountability and Control," dated June 21, 1995, as implemented by DoD Directive 5010.38, "Management Control Program," dated August 26, 1996, and DoD Instruction 5010.40, "Management Control Program Procedures," dated August 28, 1996. The OMB guidelines were issued in consultation with the Comptroller General of the United States, as required by the "Federal Managements' Financial Integrity Act of 1982." Included is an evaluation of whether the system of internal accounting and administrative control of the Resource Management Directorate is in compliance with standards prescribed by the Comptroller General.

The objectives of the system of internal accounting and administrative control of the Resource Management Directorate are to provide reasonable assurance that:

- obligations and costs are in compliance with applicable law;
- funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and
- revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets.

The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits expected to be derived there from, and that the benefits consist of reductions in the risks of failing to achieve the stated objectives. The expected benefits and related costs of control procedures should be addressed using estimates and managerial judgment. Furthermore, errors or irregularities may occur and not be detected because of inherent limitations in any system of internal accounting and administrative control, including those limitations resulting from resource constraints, congressional restrictions, and other factors. Finally, projecting any evaluation of the system in future periods is subject to risk that procedures may be inadequate because of changes in conditions, or that the degree of compliance with procedures may deteriorate. Therefore, statements of reasonable assurance are provided within the limits of the proceeding.

The evaluation was performed in accordance with the guidelines identified above and other information provided from other sources (that is GAO reports, DoD IG reports, or internal audits, management studies, internal review, etc.). The results indicate that the system of

internal accounting and administrative control of the Resource Management Directorate in effect during the fiscal year that ended September 30, 2002, taken as a whole, complies with the requirement to provide reasonable assurance that the above mentioned objectives were achieved. This reasonable assurance is within the limits described in the preceding paragraph.

Determination of Reasonable Assurance

The following describes how the evaluation was conducted and the areas reviewed during the evaluation:

(1) Progress Made in Institutionalizing the Management Control Program (MCP)

- Issuance of specific written policy and procedural guidance to Defense Health Program (DHP) components for developing and submitting DHP POM and budget requirements.
- Conducted formal hearings where components' POM and budget submissions were thoroughly reviewed, analyzed, and discussed.
- Conducted DHP budget status/execution reviews to ensure that all six DHP components were meeting their mission objectives within the constraints of their allocated budgets. Reporting the results of these budget execution reviews to senior management within OASD (HA), the TMA and to the TRICARE Executive Committee (TEC). Reported the results of the status/budget execution reviews to representatives from OUSD (Comptroller) and Office of Management and Budget (OMB).
- Development of early Fiscal Year 2002 status review of DHP funding to determine Components ability to complete Fiscal Year 2002 within appropriated funding.
- Reengineered Execution Reviews to provide a programmatic perspective of current year obligations. Service components for the first time presented their Fiscal Year 2002 Mid-Year Execution Status briefings to the Executive Director, TMA. We also continued to present status briefings to the OMB medical analysts. This reengineered process results in better program management for TMA and the Services.
- Reengineered the POM process to provide more time for analysis, and coordination between TMA and the Services in order to present a unified Defense Health Program POM submission.
- Review of MCP within the DHP Enterprise. Review of the TMA MCP began in Fiscal Year 1999 with a determination that a MC organization should be established as a Special Assistant to the Director, Resource Management (RM) Directorate. As is explained in paragraph 2 below, the TMA created a new division within TMA/RM in Fiscal Year 2000 (TMA Management Control Program) within TMA/RM to be

responsible for MC functions. In Fiscal Year 2001, the MCP office was officially expanded with the realignment of TMA/RM staff into the new MCP organization which now includes a fiscal analysis and studies capability. The new office, DHP Management Control and Financial Studies, reports to the Director, Resource Management.

(2) Improvements to IMC Program Coverage.

- TMA/RM developed and is progressing forward to implement a web-based capability for the TMA Staff to provide ideas to improve the efficiency, economy or effectiveness of TMA Operations. The TMA Staff Suggestion Program (SSP) is a vehicle for staff to submit constructive ideas that do not need to be new or original, and may result from the suggestors previous or present work experience, research or education. The SSP is available to both military and civilian employees of the TMA. Suggestions will be reviewed by the TMA/RM Management Control and Financial Studies for appropriateness and then sent out to the appropriate functional areas for action. The Action Officer assigned as the Point of Contact will review the proposal and make a recommendation to the Director, MC&FS to accept or deny the idea. Copies of evaluations are forwarded electronically by web application to the suggestor and the Director, MC&FS. All approved suggestions will be forwarded to the Director, TMA for a decision to adopt or decline.
- Developed a new Department of Defense Instruction (DoDI) – Confiscation of Fraudulent Identification Cards which formally established procedures for the Military Medical Departments to take in controlling the use of ID cards for access to health care, the confiscation of cards that are determined to be fraudulent, and the recoupment of funds for health care that was inappropriately provided in ineligible individuals.
- TMA/RM plans to develop an electronic capability to support the Data Quality Management Control (DQMC) Program which will allow the automated encoding of information/comments by the Military Treatment Facilities (MTFs) for the Data Quality Statement. This tool will support the DQMC Program by enabling managers at the local MTF level, Major Command/Intermediate Command and Headquarters to encode data in a uniform manner, fostering timely submission of data up to the supporting levels. TMA/HA will benefit by the receipt of this timely, uniform data for reporting to the TMA's Resource Management Steering Committee (RMSC) and then to the Services' Deputy Surgeons General.
- Developed an electronic filing capability to store GAO/DoD IG audit announcements, draft/final reports, and TMA comments on these reports. Files are stored on the shared drive of the HA/OA network under the TMA/RM. Electronic storage of audit files allows TMA staff to timely access audit reports, responses, and follow-up documents when required rather than relying upon TMA/RM staff to find and forward requested information.

- The Defense Health Program Resource Data Base (DHPRDB) continues to be an invaluable tool to TMA budget managers as a tool to evaluate Services/Component funding and execution trends. The DHPRDB is currently comprised of four modules: 1) civilian manpower, 2) budget tracking, 3) budget execution, and 4) medical military construction budget. Increased access to DHPRDB modules allows TMA/RM action officers to better analyze Component planned with actual funds distribution and execution trends to assist in the prudent and efficient use of DHP appropriated funding. During Fiscal Year 1999, the DHPRDB data, previously only Component level data was expanded to include Component MTF level obligation data. The DHPRDB MTF level data improves upon the previous principal source of MTF level obligations (Medical Expense and Performance Reporting System) in that it is certifiable to Washington Headquarters Services monthly official accounting report totals for the DHP (DD 1002/1176). This new additional data capability will greatly aid TMA/PB&E analysts to review and evaluate Component funding execution information to assist in the review of current year funding execution status.
- During Fiscal Year 2002, the TMA continued to place significant importance within TMA/RM for Management Controls. Management Controls within TMA/RM are built on a four-pillar program to support the TMA organization: 1) partnership with TMA Directorates and Service Surgeons General to develop organization metrics, reporting procedures, and annually identify assessable units for evaluation; 2) review Managed Care Support (MCS) contracts execution, networks and provider organizations supporting TRICARE. Internally will provide more management framework (annual plan, monitoring MCS contract execution, coordination with the Defense Contract Audit Agency (DCAA), increased partnering with the Defense Criminal Investigative Services (DCIS), and conduct of Health Care Service Record (HCSR) studies)); 3) financial metrics will be determined and Service infrastructure and/or Web-based technology will be used to facilitate periodic reporting and enterprise and headquarters reports; and 4) an audit capability will be provided either through contract or TMA matrix organization. The MCP will have a DHP Enterprise focus.
- Three new assessable units were developed for the TMA MCP during Fiscal Year 2002 – TMA Travel, IMPAC Card Review, and Invoice Certification. One new TMA/RM specific AU was developed – Proper Use of Government Funds at TMA. The TMA Travel AU will enable each directorate to examine their procedures for requesting, approving, and settlement of vouchers and the use of funding for travel requirements. The IMPAC card review will ensure that the TMA/RM government purchase card is being properly utilized for government required purchases to support the resource management office functions. Considerable attention and management interest has been focused this year on existing AUs, particularly those due for review this year, as is described in the revalidated assessable unit section that follows below.

TMA Travel. This assessable unit was developed to ensure the process established for TMA travel to review how travel is requested, approved, and paid is accomplished according to current regulations. The AU will also examine the use of funding for travel requirements and settlements to determine appropriate use of funding. To

strengthen internal controls for the TMA Travel program, TMA will develop Standard Operating Procedures (SOPs) for all TMA Directorates to utilize in the travel request, processing, and settlement functions to ensure uniformity throughout the organization. The Fiscal Year 2002 Risk Assessment resulted in a Medium Rating.

IMPAC Card Review. The assessable unit was developed to ensure that TMA purchase card transaction are made to purchase authorized, required goods and services necessary to support the operation of the TMA. The Fiscal Year 2002 Risk Assessment resulted in a Low Rating.

Invoice Certification. This assessable unit will review the steps of the invoice certification process to ensure that the work/services identified on the billing invoice for TMA goods and services have indeed been performed or the service provided. The Fiscal Year 2002 Risk Assessment resulted in a Low Rating.

- Initiation of monthly scrubs of Components unobligated funding for Fiscal Years 1996, 1997, 1998, 1999, and 2000. Identification of unobligated funding and turn-in to the DHP by the Components is crucial in order to allow the DHP to pay prior year bills that have been generated for a number of requirements (Managed Care Support Contracts, TRICARE Family Member Dental Program, among others). The Fiscal Year 2002 Risk Assessment resulted in a Low Rating.
- Revalidated Assessable Units. TMA/RM had eight assessable units due for review for this reporting period: Budget Execution; Program and Financial Controls; UBO Collections; Negative Unliquidated Obligations and Unliquidated Obligations Reconciliation (TMA Headquarters); Reservation of Funds for Contract Modifications; Unliquidated DHP Obligations; Design and Certification Authorization; and Program for Design Development (formerly Space Planning Criteria).

Budget Execution. This assessable unit addresses the processes utilized to develop initial funding guidance and distribution of all funds appropriated to the Defense Health Program (DHP). Also ensure monitoring of the funds by the six DHP components (Army, Navy, Air Force, USUHS, PSC, and TMA). Conducts formal budget execution reviews. The Fiscal Year 2002 Risk Assessment resulted in a Low Rating.

Program and Financial Controls. This assessable unit ensures that the financial data submitted via the DHP Resource Data Base (DHPDRB) (program, obligations, unobligated/unliquidated funding) match the funding authority issued to the DHP and match the DFAS actual DHP obligations. The Fiscal Year 2002 Risk Assessment resulted in a Low Rating.

Uniform Business Office (UBO) Collections. This assessable unit addresses all aspects of the Third Party Collection process for the DHP and ensures that the collection of bills is appropriate. The steps used to develop a bill and then collect a

reimbursement are to be examined to ensure compliance with established collection procedures. The Fiscal Year 2002 Risk Assessment resulted in a Medium Rating.

Negative Unliquidated Obligations & Unliquidated Obligations Reconciliation (TMA Headquarters). Thus assessable unit ensures a review of obligations on the DHP accounting statements are reviewed to allow cleanup actions to prevent any DHP funds from lapsing and not being utilized. The Fiscal Year 2002 Risk Assessment resulted in a Medium Rating.

Reservation of Funds for Contract Modifications. This assessable unit addresses the process for ensuring funding is reserved for contract modifications as they are submitted, approved, and implemented. During Fiscal Year 2001 the process did not work as it should have and many contract modifications were made without sufficient funding being reserved. Based on focused oversight of this problem, during Fiscal Year 2002 procedures were put into place to ensure funding was reserved for contract modifications worked and no modifications were made for which funding has not been set aside. The Fiscal Year 2002 Risk Assessment resulted in a Medium Rating.

Unliquidated Defense Health Program (DHP) Funding. This assessable unit addresses the issue of DHP appropriation unliquidated obligations are obligations still valid that have not been disbursed on official accounting reports. DHP unliquidated obligations are reported monthly on Department of Defense Comptroller 1002 (DD Comp 1002) Reports consolidated by Defense Finance and Accounting Service – Indianapolis (DFAS-IN). As appropriation holder, TRICARE Management Activity monitors and analyzes trends each month of the unliquidated obligations in order to ensure that only valid DHP obligations are reflected in the official accounting records. This process is maintained for a period of five year for all expired DHP appropriations. All appropriation holders who receive DHP funding are required to certify that they have reviewed all DHP funds as reported on official accounting records, to include unliquidated obligations, in the Thrice Yearly Review of Commitments and Obligations to the Office of Undersecretary of Defense (Comptroller). The Fiscal Year 2002 Risk Assessment resulted in a Low Rating.

Design and Construction Authorization. This unit addresses the Defense Medical Facilities Office (DMFO's) responsibilities regarding the issuance of authority to initiate, revise or complete project designs and to advertise and award construction contracts to the Design and Construction Agencies. This involves a review of cost estimates, scope, program year, project description, and contract constructability. It also involves an analysis of the scope versus cost and monitoring of the progress of design and construction. The Fiscal Year 2002 Risk Assessment resulted in a Low Rating.

Program for Design Development (formerly Space Planning Criteria). This unit addresses the procedures and practices to ensure programs for design are developed in a manner which provides for effective health care facilities containing only essential functional spaces. To accomplish this, the Program for Design developed by the Services via automated Space and Equipment Planning System is reviewed and validated to ensure

cost-effective and efficient use of resources consistent with the staffing and workload requirements. Any inconsistencies are resolved with the Military Services and concerned elements within DMFO. Occasionally the PDD is revalidated with the Health Program Analysis and Evaluation (HPA&E) directorate. The Fiscal Year 2002 Risk Assessment resulted in a Low Rating.

- (3) **Problems Encountered in Implementing the Program.** No unusual problems were encountered.
- (4) **Other Program Considerations.** None.
- (5) **Deviations from OMB Guidelines.** None.
- (6) **Special Concerns.** None.
- (7) **Methods, Mechanism, or Techniques Employed in the Program.**

a. Management Control (MC) Weaknesses Tracking System:

All identified recommendations resulting from management control reviews are maintained and tracked. The tracking system is updated on an as needed basis. Additionally, many of the directorates/activities have an appropriate tracking system in place, which is used for any identified weaknesses.

b. Component IG or Audit Findings. None.

c. Component Inspections. Informal component inspections are conducted by component managers with management control responsibilities as their continuing supervisory responsibility.

d. DoD-IG Reports and Reviews.

- DoD IG Project No. D2001FA-0097 Audit of the Implementation of the Data Quality Management Control Program of the Military Health System (MHS). The audit's purpose was to determine whether the MTFs, the Surgeons General, and the TMA implemented the DQMCP for the MHS. The audit determined that the policies and procedures outlined in the ASD (HA) November 29, 2000 policy memo, "Data Quality Management Control Program," were implemented.
- DoD IG Project No. D-2001-D000FH-0079 Accounting for Internal Use Software. Follow-on to determine how the Department tracks development costs for software. The IG concluded that DFAS has not issued adequate guidance to the DoD Components (including TMA) to allow the proper recording of software development costs. TMA recommended that DFAS issue comprehensive guidance to the Components to allow the proper recording of software costs and conformance to financial statements reporting requirements.

- DoD IG Project No. D-2001LF-0043 Audit of the Military Health System Optimization Initiative. This new audit will review the distribution and sharing of health care resources in catchment areas, in medical regions, and among the Military Departments. The audit is also reviewing the management control program as it relates to optimization. Ongoing audit.
- DoD IG Project No. D-2001FH-0115 Research on the Quality of Purchased Care Data Used for the DoD Military Health Benefits Liability. The objective for the research project is to identify and review all previous work related to the purchased care programs and the reliability of purchased care data used to estimate DoD Military Retirement Health Benefits Liability for Fiscal Year 2001 and beyond. Ongoing audit.
- DoD IG Project No. D2002-081 Audit of Preventive Health Care Application and An Associated Upgrade. The objective was to determine whether funding invested in the PHCA (previously named Put Prevention into Practice Program) were wasted. The review determined that approximately \$27M was wasted since this program encountered operability problems and was not widely accepted by the military health care community. It was subsequently moved into the legacy program and development and fielding of PHCA were stopped. The report did also review TMA's MCP and found that while an AU did not exist for PHCA, an AU did exist to review the management control of IM/IT programs. The DoD IG agreed that this oversight was valuable.
- DoD IG Project No. D2002002CM-0117.000 Audit of Purchase Card Transactions. The objective is to review all DoD Purchase Card transactions to determine whether selected purchases identified were appropriate. The review also examined management control measures to determine if controls were adequate to ensure appropriate use of cards and funds. An internal TMA review of a TMA Aurora purchase card was conducted to ascertain if the card had been misused in making inappropriate purchases. The review determined that the TMA Aurora purchase card was used appropriately for business related purchases. Additionally, a new Assessable Unit (AU) has been added to the TMA Management Control Program (MCP) for Directorate wide review of purchase card procedures and purchases.

e. MC Training. A proposal to establish MC training for TMA Directorate personnel has surfaced and is being reviewed by the TMA MCP Work Group for possible elevation to the TMA Executive Director. MC training would ensure all TMA representatives are familiar with the purpose, regulations, and mission of a Management Control Program. Anticipate decision on this issue during Fiscal Year 2003.

f. MC Performance Standards. N/A.

g. GAO Reports and Reviews.

- GAO 192056 – Review of Regulations Dealing With Payments from DoD Medicare-

Eligible Retiree Health Care Fund. The GAO examined the Department's draft regulations developed to provide written guidance on the operation of the Medicare-accrual trust fund and reported to Secretary of Defense and Congress on the adequacy of the Department's plan. GAO's assessment of the regulations is that the policy and procedures are adequate to ensure appropriate use of funding to support the health care fund.

- GAO 350141 – Review of DoD 2002 O&M Budget. The GAO examined the DHP Fiscal Year 2002 budget. No formal report was developed, however, the GAO prepared a proposed report and forwarded to the Congressional appropriation committees. The narrative report identified that the Fiscal Year 2002 DHP budget was significantly under funded in Fiscal Year 2002.
- GAO 192037 – MILITARY TREATMENT FACILITIES: Internal Control Activities Need Improvement. The GAO examined three DoD MTFs (Eisenhower Army Medical Center; Naval Medical Center – Portsmouth; and Wilford Hall Medical Center). Audit focused attention on five main areas within each MTF: restricting access to care to only those who are eligible; identifying patients with third party insurance, and the accuracy and timeliness of the billing and collection process; monitoring and analyzing the types/levels of expired drugs turned in; managing personal property accountability, and using government purchased cards. End result of the GAO review was the identification of several recommendations for the Department to implement to correct deficiencies in the granting of access to medical care; controls of physical inventory within the Department's MTFs; and authorization for purchase of goods/services utilizing Purchase Cards.

h. OSD Functional Proponent Proposals Submitted Through the DoD IMC Program. None.

i. Information Technology Initiatives. None.

j. IMC References in Directives, Regulations, and Other Guidance. N/A.

k. Congressional Reviews and Hearings.

- During the fiscal year, the Department testified to committees and responded to a number of questions regarding the adequacy of the Fiscal Year 2002 DHP funded program, the Fiscal Year 2003 requirement and the outyear DHP requirements for Fiscal Years 2004-2008. The DHP initially faced concerns regarding the adequacy of Fiscal Year 2001 funding, however, initial reviews indicated that the Fiscal Year 2002 funded DHP program would be more than adequate to fund existing requirements. With the startup of the Department of Defense Medicare Eligible Retiree Health Care Fund scheduled for October 1, 2002, funding has been realigned into the DHP for the Medicare eligible population to fund the costs of their health care. A calculation of the estimated requirement resulted in a significant excess of funding being identified. The Office of the Secretary of

Defense (Comptroller) worked with TMA to identify and realign over \$300 million of Fiscal Year 2003 funding.

- **Congressional** mandated reports to Congress. The Department prepared two reports to Congress during this review period: 1) Report to Congress on Improvements to DHP Budgeting; and 2) a Report to Congress on the implementation of MTF Optimization Projects.

l. Command or other Subordinate “Letters of Assurance.” N/A.

m. Productivity Statistics. N/A.

n. Internal Reviews.

- Issued guidance to the TMA Directors regarding fraudulent use of Government Travel and Purchase Cards. Per DoD guidance, new regulations will be issued which will hold supervisors responsible for the fraudulent purchases made by employees under their supervision. The memo stipulates that TMA issued charge cards are to utilize only for authorized purchases.
- TMA, based on the DoD IG direction to develop internal TMA accounting to identify development costs of software as required by Statement of Federal Financial Accounting Standards (SFFAS) No. 10, are developing a solution to conform to the requirement to allow the tracking of software developmental costs.
- TMA developed an informal arrangement with the Defense Contract Audit Agency (DCAA) to obtain their review of “High Dollar” DHP funded contracts. The DCAA offered to conduct contract audits for personal and non-personal service contracts for both the TMA and the Services MTFs for such supports services as nursing contracts, contract physicians/dentists, clinic operations, housekeeping, food service and laundry. The results of the audits may be used for a variety of purposes including discussions with vendors to amend contracts where required, recoupment of government funds and improvement of contract management.
- TMA again, as it did in Fiscal Year 2001, informed the Services’ Assistant Secretaries for Manpower and Reserve Affairs (M&RAs) that a Management Control Program office had been established within TMA to facilitate oversight of the DHP. The memorandum requested the M&RAs assistance in involving the entirety of the DHP enterprise to include their medical departments. Previously, TMA has only included TMA HQ issues in the Annual Statement of Assurance submission. With the assistance of the Services, the annual submission can reflect the Services’ Management Control issues that affect the DHP. The memo also identified Assessable Units that address DHP vulnerabilities and material weaknesses in the Services’ span of control, a process for Service review of DHP AUs, and requested the Services provide a copy of their Annual Statement of Assurance to TMA for possible inclusion in the TMA submission.

- The TRICARE Management Activity (TMA) contracted with Arthur Andersen (Business Consulting) in Fiscal Year 2002 to conduct the following assessment: Assessment of Management Controls Associated with TMA Headquarters Contract Management Practices.

1. Assessment of Management Controls Associated with TMA Headquarters Contract Management Practices. Based upon a November 20, 2001 memo, Dr. William Winkenwerder, ASD(HA) and in a supplementary memorandum dated December 4, 2001, Mr. Thomas F. Carrato, Executive Director, TMA requested a management control evaluation of TMA/Headquarters contract management practices be accomplished. The objective of the assessment was to assess contract management practices. The Arthur Andersen results focused on four main areas: 1) financial practices; 2) management controls, 3) financial relationships with external agencies; and 4) application of management controls at TMA Aurora, CO.

The results indicated that: that TMA/AM&S understands its charter, and in the context of resources (money, people, and time), is endeavoring to implement the past recommendations. AM&S is making definite progress in many of the areas addressed in previous studies. The past recommendations came from five studies/reports:

DoD Procurement Management Review (February 1998)
 Director of Defense Procurement Visit to Aurora (April 1998)
 Internal Management Review (August 1999)
 Procurement Management Review (November 2000)
 Andersen Study Report Management Oversight of TMA/Health Affairs Contracting (May 2001)

Arthur Andersen made the following contract management observations/findings within three categories: a) Contract Management; b) Credit Card Procedures; and c) Invoice Certification:

Contract Management

- a. The head of contracting (Director of AM&S) should have extensive contract management experience
- b. Development and implementation of new contracting processes should be made in conjunction with procuring contracting offices (e.g., Defense Civilian Contracting-Washington (DCC-W)) and other key parties.
- c. All key parties need to be made fully aware of the new contracting process (especially Program Managers (PMs), Technical Managers (TMs), and Contracting Officer Representatives (CORs))
- d. Definition of each position (PM, TM, Point of Contact (POC), Contracting Office Technical Representative (COTR) and COR) needs to be made clear; roles and responsibilities of each position need to be defined
- e. Past performance evaluation process needs to be enforced; the surveillance process needs to be formalized

- f. Self-inspections (to ensure that the acquisition regulations are being observed) need to be expanded
- g. The contract management tracking system needs to be expanded into a centralized contract management information system

Credit Card Procedures

- h. The potential of coercion/pressure on the cardholder (to buy unauthorized items) need to be limited
- i. Use of the card needs to be limited to the assigned cardholder
- j. Approving official's responsibility needs to be limited to no more than six cards
- k. Yearly audits by DCC-W and the Contract Management (CM) Division of AM&S in Aurora need to be inclusive (e.g., review source documents)
- l. Aurora and Falls Church credit card policies and procedures should be uniform

Invoice Certification Process

- m. Understanding of the invoice certification process needs to be increased (especially for the PM, TM, and COR) so that it is performed in an appropriate and timely manner
 - Definition of each position (PM, TM, POC, COTR, and COR) needs to be made clear; roles and responsibilities of each position needs to be defined
 - Invoice certification process needs to be performed in a consistent manner
- n. Person signing the receiving report (e.g., Department of Defense (DD) Form 250) should have direct knowledge that the goods were received or the services were performed

TMA issued a memorandum to each TMA Directorate on June 14, 2002, requesting action to implement the recommendations identified by Arthur Andersen. Additional guidance is being developed to direct AM&S to develop implementation policy based upon Arthur Andersen's findings.

- The TRICARE Management Activity (TMA) requested the assistance of the Defense Contract Audit Agency (DCAA) to perform reviews of TMA "high dollar" DHP funded contracts. DCAA's role is to be an independent auditor to help determine if contractors performing work for TMA are conforming to the specifications stipulated in the contracts. Specifically, DCAA conducted an examination to determine the contractors' compliance in meeting the stated goals of the contracts; reviewed financial matters such as billing for work performed/employee costs; examined contractor proposal development; and determine if the acquisitions were fairly competed and responsibly priced. DCAA reviews are still in process. Results are expected to be released in early Fiscal Year 2003.
- Capital Equipment/Direct Medical Education (CAP/DME) Review. The Department has initiated efforts to obtain a sole-source contract with a firm to seek recoupment of

DHP funds paid to civilian hospitals for Capital Equipment charges which are included as part of hospital medical care bills. This contract will test this innovative concept for analysis and identification of over and underpayment of CAP/DME funds. There are potentially significant recoupments related to health care obtained from 1988 to the present time.

- TMA/RM held a Directorate off-site session to examine TMA/RM business processes/outcomes and to facilitate brainstorming, discussion and collaboration on identifying opportunities to further strengthen the organization and improve the focus on performance in supporting customers' and employee's needs/experiences. Possible improvements to TMA/RM operations were discussed and resulted in the identification of seven areas for improvement: 1) clearer delineation of some RM divisions/office roles/responsibilities/functions; 2) optimizing administrative support functions (correspondence, telephones, tracking of taskings/suspenses; 3) management of taskings, correspondence, e-mail, telephone responsiveness; 4) communications/feedback; up, down and across the organization; 5) better understanding/identification of our customers and their needs; 6) writing skills; and 7) assisting other TMA Directorates in sharpening their program managers' PPBS skills. A series of next step/actions/tasks were outlined which will help RM focus on fostering action on the areas for improvement previously noted.
- TRICARE for Life (TFL) Accrual Fund Impact. TMA/RM (CRM) is evaluating adding a government/contractor employee to perform an audit/review function of TFL payments/funding. With the creation and start of the Medicare trust fund (accrual fund) commencing on October 1, 2002, it is imperative that sufficient oversight, review, and management attention be given to this \$3 billion program. Utilizing a dedicated staff member for this initiative will afford the proper oversight and management focus to the program.
- Activity Based Costing (ABC) Development within TMA/RM. A contract was initiated to develop an ABC model for use within TMA to determine the costs associated with performing functions assigned to TMA. The information derived from this activity will enable management to ascertain how best to assign staff; allocate time, and oversight to functions and tasks.

o. Defense Regional Inter-Service Support Studies. N/A.

p. Procurement Management Reviews. N/A.

q. Quality Assurance Reviews. N/A.

r. "Hot Line" Reports. TMA/RM served as the investigator for one "Hot Line" inquiry during the review period. An anonymous complaint was received by a voice message left in the DoD Hotline Complaint voice mailbox. It alleged that a senior active duty military officer: 1) coerced personnel (both government and contractor staff) under his direction to establish a personnel position which he would fill post his retirement; 2) in a fit of

anger, destroyed government owned equipment, berated several staff, and uttered profanities in the presence of staff; and 3) uttered derogatory and demeaning remarks about a senior Federal Government employee. The complaint was thoroughly investigated through interviews with persons who had direct knowledge of the circumstances and the incidents alleged. The results of the inquiry were that no coercion was applied to staff to establish a position post retirement and that none of the staff or contractors involved worked for the senior officer. Regarding the destruction of government owned equipment, berating of staff, and use of profanity, the allegation was substantiated. It was noted that the officer's immediate supervisor took prompt and appropriate action to counsel the officer against such actions in the future and the officer purchased replacement property for the item. Regarding the derogatory and demeaning remarks made about a senior Federal employee, the allegation was not substantiated. The remarks were directed toward a bureaucratic process. The officer did use profanity; however, he apologized to the staff and was counseled by his immediate supervisor.

Tab B

MATERIAL WEAKNESSES/CORRECTIVE ACTIONS

This section presents management control weaknesses in three subject tabs:

Tab B-1 A Summary Listing of all Uncorrected and Corrected Material Weaknesses

Tab B-2 A Summary Presentation of Uncorrected Material Weaknesses

Tab B-3 A Summary Presentation of Material Weaknesses Corrected This Period

Tab B-4 Management Control Program and Related Accomplishments

TAB B-1

LISTS OF UNCORRECTED AND CORRECTED MATERIAL WEAKNESSES

Uncorrected Weaknesses Identified During The Period:

<u>Title</u>	<u>Targeted Correction Date</u>	<u>Tab</u>
None		

Uncorrected Weaknesses Identified During Prior Periods:

<u>Title</u>	<u>Year First Reported</u>	<u>Correction FY Date</u>	<u>Tab</u>
None			

Corrected Weaknesses Identified During All Periods:

<u>Title</u>	<u>Year First Reported</u>	<u>Tab</u>
Data Quality Management Control ¹	FY 99	B-3
Negative Unliquidated Obligations and Unliquidated Obligations Reconciliation (TMA Headquarters) ¹	FY 01	B-3
TRICARE Overseas Program - Access to Health Care ²	FY 01	B-3

¹ Reported as an OSD Component material weakness

² This TMA material weakness was not judged as sufficiently material to warrant reporting it as an OSD Component material weakness.

TAB B-2

**UNCORRECTED MATERIAL WEAKNESSES
STATUS OF CORRECTIVE ACTIONS**

Uncorrected Weaknesses Identified During the Period:

None

TAB B 3

A SUMMARY PRESENTATION OF MATERIAL WEAKNESSES CORRECTED THIS PERIOD

Corrected Weaknesses Identified in the Period:

Negative Unliquidated Obligations (NULOs). The TMA identified a system problem in Fiscal Year 2001 regarding the identification of Negative Unliquidated Obligations for the TMA Headquarters portion of the Defense Health Program (DHP). TMA's research of Defense Finance and Accounting Service (DFAS) accounts (mostly DFAS Columbus) determined that these NULOS were not the result of exceeding obligations, but rather, were caused by the incorrect posting of financial data into the accounting system. These incorrect postings mostly cited either the incorrect year of funds or the incorrect account. The errors were further compounded when the proper steps were not taken to correct the errors. TMA has established a process at DFAS Center Indianapolis to identify, verify and correct the errors.

Since identification of this system problem in Fiscal Year 2001, TMA has worked extensively with DFAS in a team approach to correct NULOS. Jointly, by utilizing both contract teams of auditors under contract with TMA and DFAS personnel, the Department has identified \$79 million in Fiscal Year 1997 NULOS and properly charged this amount to the correct year. The end result of this effort was a cleanup of Fiscal Year 1997 DHP account which now is reflecting the correct level of obligations. We believe this problem has been resolved through the identification of the Material Weakness and the attention directed to the problem as a result of this identification.

TRICARE Overseas Program – Access to Care in the Philippines. The Defense Criminal Investigative Service (DCIS) identified the material weakness in Fiscal Year 2001 as a result of two ongoing criminal cases involving fraudulent claims for medical services in the Philippines which were not provided. The issue was initiated via the DoD Hotline inquiry. The case alleged numerous military veterans residing in the Republic of the Philippines who consorted with local Philippine physicians to submit fraudulent claims to Wisconsin Physicians Service for hospitalization services that were never provided.

Corrected Weaknesses Identified During Prior Periods:

Data Quality Management Control. We identified and reported a material weakness in the area of data quality management controls in Fiscal Year 1999. A DoD IG report, "Data Supporting the Fiscal Year 1998 Military Requirement Health Benefit Liability Estimate," April 1999, also reported a material management control weakness. Health Affairs concurred with this finding and has developed a Management Control Program to increase the reliability of the Composite Health Care System (CHCS) outpatient data workload and other data in the Military Health System (MHS). The Data Quality Management Control Program was tested in Region 11 during April – July 2000 and was implemented in November 2000. Since then, the MHS Data Quality

Management Control (DQMC) Program was implemented in Fiscal Year 2001 with the objective of improving the overall quality of MHS financial and workload data.

The components of this program include a Data Quality Manager and a Data Quality Assurance Team in each military department, a DQMC Review List (27 questions addressing five functional areas) to guide data quality review, and an MTF Commander's Monthly Data Quality Statement (seven questions) to ensure appropriate review and analysis at the MTF level. The DQMC Review List is used by the MTFs on a monthly basis and summary results are reported to the TMA and Service Leadership through the Data Quality Commander's Statement. This program is also included in the Service IG/Medical IG annual programs for review as well.

Since implementation in November 2000 (Fiscal Year 2001), this program has highlighted deficiencies in data quality to Service/TMA leadership. Examples of these have been in both inpatient and outpatient coding and Medical Expense Reporting System (MEPRS) financial and workload reconciliation. Additional funding has been provided to the Services to address the coding issues and also input into MEPRS. Over the past year, Inpatient coding compliance has moved from a "Red Status" (less than 80% compliance) to a Green Status (greater than 95% compliance). Out-patient coding has improved significantly over Fiscal Year 2001 but remains in a High "Red" status TMA-Wide. MEPRS workload and financial reconciliation has also improved significantly in Fiscal Year 2002 by moving from the "Red Status" to "Amber/Green" in the later months. The above mentioned Review List and Commander's Statement have been updated for Fiscal Year 2003 with input from the Service Data Quality Managers. This insures that the DQMC Program remains current.

(TAB B-4)

MANAGEMENT CONTROL PROGRAM AND RELATED ACCOMPLISHMENTS

Management Control Program (MCP) Standard Operating Procedure Guidance

Description of the Issue

- Only formalized information on the operation of the TRICARE Management Activity (TMA) Acquisition Management and Support (AM&S) Management Control Program (MCP) is DoD 5010.38 and DoDI 5010.40. The Directive and Instruction required local explanation and clarification specific to AM7S Program Managers.

Accomplishments

The TRICARE Management Activity (TMA)/Acquisition Management and Support (AM&S) issued Standard Operating Procedures (SOP) to the AM&S staff on July 29, 2002. This SOP is to be utilized by AM&S staff as well as sub-divisions.

Acquisition Management Directorate Mission

Description of the Issue

- The Acquisition Management Directorate's role and responsibilities were recently expanded. Formal notification and publishing of AMD's mission is required.

Accomplishments

Department of Defense Directive 5136.12 – TRICARE Management Activity (TMA), published on May 31, 2001 identifies that the TMA Acquisition Management and Support (AM&S) shall operate as the primary contracting activity in support of the TMA mission. AMD is responsible for processing all acquisition and contract actions in support of non-purchased care activities. AMD's mission is to be the primary acquisition and contract management activity in support Information Technology (IT) and program management integration requirements.

New DoD Instruction on Confiscation of Fraudulent ID Cards

Description of the Issue

- The Department of Defense Inspector General (DoD IG) recommended in a January 2000 audit that the Assistant Secretary of Defense (Health Affairs) issue guidance to the military treatment facility commanders directing compliance with existing policy requiring verification of eligibility using DEERS; confiscation of ID cards from ineligible individuals; and recoupment actions for the cost of health care inappropriately provided to individuals.

Accomplishments

The TRICARE Management Activity (TMA) has developed a new Department of Defense Instruction (DoDI) to meet the guidance specified by the DoD IG. The DoDI formally establishes procedures for the Military Departments to take in controlling the review of Identification Cards (IDs) for access to health care, the confiscation of ID cards that are determined to be fraudulent, and the recoupment of funds for health care inappropriately provided to ineligible beneficiaries.

Independent Assessment of TMA Contract Management Practices

Description of the Issue

- The Assistant Secretary of Defense (Health Affairs) and the TMA, Executive, requested an independent assessment of TMA internal controls providing oversight of TMA contract management activities to ensure the effective oversight of the contract management process exists.

Accomplishments

The evaluation determined that TMA can improve its management oversight of its contracting process. Certain areas of TMA operations can be enhanced. These areas were grouped into three areas: Contract Management, Government Purchase Cards; and the Invoice Certification Process. A total of fourteen recommended planned actions were made to yield opportunities for meaningful and lasting improvements throughout TMA.

TRICARE Staff Suggestion Program (SSP)

Description of the Issue

- The TRICARE Management Activity (TMA) identified that there was not a vehicle for TMA staff to submit ideas for improving the operation of the TMA and Military Health System (MHS).

Accomplishments

A web-based capability was developed for TMA staff to provide suggested ideas to improve the efficiency, economy or effectiveness of TMA operations. Military and civilian employees of TMA may submit constructive ideas for improving TMA. All ideas are initially reviewed by the TMA Directorate responsible for the SSP and then forwarded to the appropriate functional area for action. A recommendation is made to the TMA Management Control and Financial Studies Director to accept or deny the idea. All approved suggestions are forwarded to the TMA Director, TMA for a decision to adopt or decline. All implemented suggestions are eligible for a cash award depending on the impact to the TMA.

Data Quality Management Control Program

Description of the Issue

- The MHS Data Quality Management Control (DQMC) Program was implemented in Fiscal Year 2001 with the objective of improving the overall quality of MHS financial and workload data. This was the result of DoD IG identified material weaknesses in the Fiscal Year 1998 retirement liability estimate.
- The MHS was directed to develop a data quality assurance and management control program. The components of this program include a Data Quality Manager and a Data Quality Assurance Team in each military department, a DQMC Review List (27 questions addressing five functional areas) to guide data quality review, and an MTF Commander's Monthly Data Quality Statement (seven questions) to ensure appropriate review and analysis at the MTF level. The DQMC Review List is used by the MTFs on a monthly basis and summary results are reported to the TMA and Service Leadership through the Data Quality Commander's Statement. This program is also included in the Service IG/Medical IG annual programs for review as well.

Accomplishments

Since implementation in November 2000 (Fiscal Year 2001), this program has highlighted deficiencies in data quality to Service/TMA leadership. Examples of these have been in both inpatient and outpatient coding and Medical Expense Reporting System (MEPRS) financial and workload reconciliation. Additional funding has been provided to the Services to address the coding issues and also input into MEPRS. Over the past year, Inpatient coding compliance has moved from a "Red Status" (less than 80% compliance) to a Green Status (greater than 95% compliance). Out-patient coding has improved significantly over Fiscal Year 2001 but remains in a High "Red" status TMA-Wide. MEPRS workload and financial reconciliation has also improved significantly in Fiscal Year 2002 by moving from the "Red Status" to "Amber/Green" in the later months. The above mentioned Review List and Commander's Statement have been updated for Fiscal Year 2003 with input from the Service Data Quality Managers. This insures that the DQMC Program remains current.

Medical Expense Reporting System (MEPRS)

Description of the Issue

- On May 08, 2002 Senator Inouye, a member of the SAC, Defense Subcommittee asked The Assistant Secretary of Defense (Health Affairs) the following question: *“The Medical Expense and Performance Reporting System (MEPRS) is being used as a basis for calculating the amounts to be transferred to the accrual fund. What are you doing to improve the reliability of the cost and patient information in MEPRS?”*

Accomplishments

Data quality assessment tools for workload and financial reconciliation have been developed and deployed. These tools provide standard audit processes that identify and explain variations and provide crosswalks between data collected in source systems and data reported in MEPRS to ensure data quality. Each Service medical department has published a financial reconciliation procedure that must be used as part of the Military Health System Data Quality Management Control Program.

The fielding of EAS-IV in Fiscal Year 2002 has dramatically decreased the time required for Military Treatment Facilities (MTFs) to review and submit their monthly MEPRS data reports, so that virtually all MTFs are now able to submit their data within 45 days after the end of the month. To capitalize on the availability of more timely data, TMA has developed a new tool that automates many analytical functions for MTF review. The MEPRS Early Warning and Control System (MEWACS) is a web-enabled interactive automated Microsoft Excel workbook that provides timely, reliable and relevant MEPRS data feedback (in both tabular and graphical formats) to each MTF, proactively identifying data anomalies in sufficient time to make appropriate corrections. To complement this process, the TMA staff analyzes regional, Service and MHS-wide data to detect trends and assists MTF personnel in detailed analyses and in correcting root causes of data errors. An updated MEWACS workbook is posted monthly on the TMA web site.

TMA has developed and implemented an improved MEPRS education and training program targeting personnel responsible for data management and reporting. The MEPRS Application and Data Improvement Workshop hands-on course focuses on proper interpretation and application of MEPRS data, and provides a detailed understanding of the enhanced capabilities of the EAS-IV Data Repository. Feedback from participants in the first four iterations of these workshops has been extremely positive.

Purchase Card Program

Description of the Issue

- Recent GAO and DoD IG audits in Fiscal Year 2002 have identified misuses of Government Card Cards, including Purchase Cards and Travel Cards.
- Among the items inappropriately purchased by Department staff include computers, clothing, food, personal items, and erotic services.
- The Deputy Secretary of Defense issued a memo June, 2002 directed Department agencies to clarify to their staffs the rules and responsibilities for utilizing Government Card cards.

Accomplishments

The TRICARE Management Activity (TMA) issued guidance to the TMA Directors on July 8, 2002 clarifying their roles in ensuring their staffs conform to the rules, regulations, and operating procedures for utilizing Government Card Charges. The DoD is in the process of developing new guidelines and policy documents which will make supervisors responsible for the Government charge card purchases their employees make. Additional guidance will be issued to the TMA Directors upon release by the Department.

Capital and Direct Medical Education Overpayments

Description of the Issue

- Civilian health care facilities treating Military Health System beneficiaries are receiving overpayments for the Capital Equipment and Direct Medical Education (CAP/DME) portion of TRICARE payments. Estimates of recoupment could be in the range of \$300 million related to health care obtained from 1988 to the present time.
- Previous efforts by the Defense Contract Audit Agency have not been very successful in recouping these overpayments. Alternate recovery strategies have been reviewed to help improve the recoupment processes and the amounts of funds recouped.

Accomplishments

A sole source contract with a private sector vendor has been initiated to actively work the identification and recoupment of these overpayments. Details of the process, timeline for recoupment collections, and actual recoupment of Defense Health Program (DHP) funds are still being worked but the process should begin in Fiscal Year 2003 and yield funding for being returned to the DHP budget.

Office of General Counsel Management Control Program

Description of the Issue

- Both the workload of and the number of personnel assigned to and the Office of General Counsel (OGC) has expanded over time making case tracking more difficult.

Accomplishments

To improve management control program compliance, the OGC has redesigned and implemented significant changes to the case tracking system, which is a computerized database of all legal actions pending in the OGC. This action substantially improved the management review of the OGC. During Fiscal Year 2002 use of the case tracking system was expanded. On a regular basis employees and their managers are provided a listing of the cases assigned to them, with initiation and suspense dates for joint review. This enables managers to keep aware of each employee's workload, cross-balance assignments when necessary and assure that customers are receiving responses on a timely basis.

This initiative will continue in Fiscal Year 2003.

Health Plans Analysis and Evaluation (HPA&E) Accounting Methods

Description of the Issue

- HPA&E accounting method used during Fiscal Year 2001 and before included excel spreadsheets and reconciling accounts with the Resource Management Director while the majority of the TMA utilized the Interfaced Budget Execution and Account Management Systems (IBEAMS). The difference in accounting methods resulted in numerous reconciliation meetings and difficulties in tracking changes.

Accomplishments

HPA&E is transferring all accounting methods to IBEAMS. Training is ongoing for the HPA&E business staff. Beginning October 1, 2002, HPA&E will fully transfer to this accounting method.

Proper Use of Purchase Cards

Description of the Issue

- HPA&E used an approving official for the purchase card from an individual from another TMA organization temporarily due to an earlier than expected retirement. This was not an ideal situation for the Director of HPA&E.

Accomplishments

Upon the arrival of new staff, one was previously trained on purchase cards rules and regulations and went through refresher training to refamiliarize her with the responsibilities. Additionally, a review of the purchase card documents was performed finding no discrepancies.

Defense Medicare Eligible Retiree Health Care Fund

Description of the Issue

- The Floyd D. Spence National Defense Authorization Act (NDAA) for Fiscal Year 2001 (as amended by the NDAA for Fiscal Year 2002, and codified in Chapter 56, Title 10 United States Code) established in the U.S. Treasury the Department of Defense Medicare Eligible Retiree Health Care Fund (the Fund).
- Beginning on October 1, 2002, the Fund will finance DoD's liabilities for health care programs for Medicare-eligible retirees, retiree family members and survivors. This includes 100% of the cost of care provided within DoD military treatment facilities and approximately 20% of the cost of purchased care for which Medicare is the primary payer under "TRICARE for Life."
- The Fiscal Year 2002 NDAA required that the regulations be submitted to the Comptroller General not later than sixty days prior to Fund implementation for review and a subsequent report to Congress and the Secretary of Defense on the adequacy and appropriateness of the implementation plan.

Accomplishments

Department of Defense Directive 6070.1, “DoD Medicare Eligible Retiree Health Care Fund,” was published on July 17, 2002, signed by the Deputy Secretary of Defense. This regulation is fairly concise and establishes the law as the basis for program, as well as establishing broad implementation responsibilities.

Department of Defense Instruction 6070.2, “DoD Medicare Eligible Retiree Health Care Fund Operations,” was published on July 19, 2002, signed by the Assistant Secretary of Defense (Health Affairs). This regulation describes the detailed implementation methodology and assigns specific tasks to several different DoD components.

On August 31, 2002, the General Accounting Office issued their report entitled “Financial Management: Department Of Defense Regulations Establishing Methods to Calculate Amounts to be Transferred from Department of Defense Medicare Eligible Retiree Health Care Fund” (GAO-02-1061R). This report stated that “DoD regulations for establishing the methods for calculating transfers from the Fund appear to be adequate and appropriate and provide a framework for the transfers to be implemented upon activation of the Fund.”

The Office of Management and Budget also directed that the non-DoD Uniformed Services should participate in the Fund beginning in Fiscal Year 2003 (Title 10 had allowed their participation). DoD is currently negotiating a Memorandum of Agreement with the United States Coast Guard, the United States Public Health Service and the National Oceanic and Atmospheric Administration for their participation in the Fund.

TMA Management Control Program (MCP) Oversight

Description of the Issue

- Upon creation of the TMA in February 1998, an ongoing management control program did not exist to the degree necessary to ensure appropriate management oversight across all TMA Directorates and functional areas.
- A TMA Management Control Program was established in April 2001 to provide comprehensive management control oversight in each TMA Directorate.

Accomplishments

A TMA MCP Work Group was established in 2002, comprised of representatives from each TMA Directorate. Work Group meetings occur monthly, during which important MCP issues are discussed, MCP decisions approved, and implemented.

Third Party Collection

Description of the Issue

- Military treatment facilities (MTF) third party payer collections have been deficient for the past several years. While the total collections of all MTFs surpass \$100 million annually, conservative estimates suggest that the actual number could be in excess of \$200 million.
- Difficulty in identifying other health insurance and antiquated processes contribute to the current situation.

Accomplishments

Beginning October 1, 2002, outpatient itemized billing will be implemented throughout DoD MTFs. The project brings with it enhanced guidelines, updated automation and improved insurance collection measures which are expected to increase collections that will remain at the MTFs for operations and management.